

Remodeling Your Home: Is It Worth the Cost?

The renovations that recoup the greatest percentage of their initial cost are those that residents are likely to use frequently or that enhance energy efficiency.

With home values nationwide still well below the historic average highs set five years ago, many homeowners are considering making improvements to their homes rather than trading up for a bigger, better model.

Remodeling magazine conducts an annual Cost vs. Value Report that presents the national midrange cost for a variety of renovation projects and the typical cost recouped at sale. Note that these numbers are national data, and expenses may vary regionally.

Remodeling Cost vs. Value 2010-2011¹

Project	Midrange Cost	Resale Value	Percent Recouped
Attic bedroom	\$51,428	\$37,142	72%
Basement remodel	\$64,519	\$45,186	70%
Bathroom remodel	\$16,634	\$10,668	64%
Deck addition (composite materials)	\$15,620	\$10,337	66%
Deck addition (wood)	\$10,973	\$9,986	73%
Family room addition	\$85,740	\$53,624	63%
Home-office remodel	\$28,888	\$13,235	46%
Kitchen remodel (major)	\$58,367	\$40,126	69%
Kitchen remodel (minor)	\$21,695	\$15,790	73%
Master suite addition	\$108,090	\$68,146	63%
Siding replacement (vinyl)	\$11,357	\$8,223	72%
Sunroom addition	\$75,224	\$36,540	49%
Window replacement (vinyl)	\$11,066	\$7,920	72%
Window replacement (wood)	\$12,027	\$8,707	72%

Bigger Isn't Always Better

If you focus on an upscale project with high-end materials or a more budget-conscious approach, the initial cost of the job and the cost recouped at sale will vary accordingly. For example, the difference between a minor kitchen remodel and a major kitchen remodel lies primarily in the design and materials used to renovate a 200-square-foot kitchen. Variables include semi-custom cabinets vs. existing cabinet boxes with new doors and drawers and the presence of a 3-by-5-foot island in the major kitchen remodel.

Ironically, the data show that the minor kitchen remodel recoups a higher percentage of its cost than the major kitchen remodel. Spending your money wisely vs. spending the largest amount of money, may be more worthwhile financially.

The renovations that recoup the greatest percentage of their initial cost are those that residents are likely to use frequently or that enhance energy efficiency. Bathrooms and kitchens, which typically are used daily, tend to be important to potential home buyers. Vinyl siding and window replacement can potentially enhance energy use.

Before embarking on a renovation project, consider whether you are likely to recoup a good portion of the cost over the long term. This approach may help to focus your thinking on long-term value.

¹Source: *Remodeling*, "2010-2011 Cost vs. Value Report" (www.remodeling.hw.net).

© 2011 McGraw-Hill Financial Communications. All rights reserved.

August 2011 — This column is provided through the Financial Planning Association, the membership organization for the financial planning community, and is brought to you by **Capital Strategies, Inc.**, a local member of FPA.