

Cost vs. Value: Which home improvements really pay off?

By Erin K. Witt

It's time to sell your home. Perhaps your family is expanding, or growing smaller as children leave the nest. Maybe the changing job market is taking you to greener pastures. But no matter what the reason for the move, many decisions must be made before attempting to sell your existing home.

One decision many homeowners struggle with is the extent of work they are willing to put in to prepare for the sale of their home. Some sellers want to make every effort to show their property in top condition and get the best price. Others cannot justify the time, energy and expense major home repairs may require—especially when planning a move of their own.

If the seller has the financial means to complete repairs and improvements to the home, they most certainly should prior to listing their home for sale, Phillip Todd, a REALTOR® with Sycamore Group, recommended. This will maximize the sale value and minimize the time to sell, he explained.

“Selling a home ‘as is’ often scares buyers—they are hesitant to purchase the home, for fear ‘as is’ means there are serious problems. In truth, the problems could simply be cosmetic in nature,” he said.

Many buyers like bargains on homes that need work. Assume a home is worth \$100,000 in good condition, Todd said. But the home for sale needs \$10,000 in repairs. Logically, the seller figures they can get \$90,000 for the home “as is.”

“Unfortunately, if the buyer is the one who has to come up with the \$10,000 for the work to be done, has to schedule the work and tolerate the nuisance of remodeling, they expect to benefit from the investment, not just break even,” he explained.

“Why buy a home for \$90,000, put \$10,000 into it, and have it be worth \$100,000 when the work is done, when a buyer can purchase a home down the street already updated and complete for \$100,000—with no hassles, no inconvenience and no out of pocket repairs?”

In reality, Todd explained, the buyer will usually want to pay \$90,000, minus the value that they perceive all of this time and work and money is worth to fix up the home.

“In this scenario, the \$90,000 home is selling for \$82,000 because the buyer wants a return on his or her investment of time and money in making all of the improvements,” Todd explained. “In this example, the seller lost \$8,000 in home equity by trying to sell ‘as is.’”

Home repair should be part of every homeowner's strategy if they want to maximize their profit potential. However, some sellers—because of a lack of funds, time constraints or perhaps an illness—might not be able to do repairs and improvements, Todd acknowledged.

“In this case, the best alternative is to prepare the home properly by cleaning, arranging and organizing the house to make the best impression on the buyer,” he advised.

In addition to repairs, many home improvements will also boost home value. Of course, some improvements offer a better return on investment, or ROI, than others.

“One general school of thought is that money invested in kitchen and bath remodels is the most “recoupable” in the sale of the home. In my experience, this holds true,” Todd shared.

Todd said flooring and lighting can also drastically improve the cosmetic appearance of a home, and are money well spent.

“If you want to make improvements with the most bang for the buck, simply painting a home can make dramatic changes in the appearance and increase the value—either by garnering a higher sale price, or by shortening the time to sell,” he added.

Although it is tempting to add trendy, luxury items to a home to encourage its sale, this is not a smart selling strategy, Todd cautioned.

“On the whole, luxury items do not garner a good ROI,” he said. “Features like central vacuums, Jacuzzi tubs and swimming pools are items you should buy to enjoy while living in your home, not to sell your home. Luxuries may impress a buyer and may even tilt a buyer in your direction over a competing property, but rarely result in a sale price that would recoup your investment.”

Here are the top five best returns for cost vs. value in home improvements, according to Remodeling Online. Data represents national averages.

Home Improvement	Job Cost	Resale Value	Return on Investment
Kitchen remodel	\$14,847	\$13,138	88%
Second story addition	\$67,744	\$56,770	83%
Bathroom remodel	\$9,748	\$7,952	81%
Family room addition	\$47,764	\$36,170	75%
Master suite addition	\$63,736	\$45,610	71%

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