



Remodeling projects that pay off

Exterior improvements often best investment

When contemplating which remodeling projects have the greatest potential for increasing the resale value of your home you might want to remember that sometimes, less is more.

A recent survey found a major kitchen remodel could cost a Chicago homeowner an estimated \$44,330 and add \$41,000 in resale value for a return of 92%, but a minor kitchen remodel might carry an estimated cost of only \$18,181 but add \$19,600 in resale value for a return of 108%.

The survey, conducted annually by Remodeling and REALTOR® magazines, reports the estimated returns on various remodeling projects on a national and regional basis. The report's findings underscore the importance of carefully scrutinizing which remodeling projects are worth undertaking before selling a home.



Andy Poticha and Michael Menn, AIA, CGR

Among the projects reviewed in the report, recovered costs for the Chicago area ranged from 37% for re-roofing to 120% for siding replacement.

Remodelers agree that determining the value of a remodeling project is more of an art than a science, since so many factors must be considered. The general condition of the home and others in the neighborhood, the qualities of the materials used during construction and whether the project is driven by the homeowner's needs or wants are just some of the variables that go into the equation.

"It's a lot more complicated than just looking at a (project's cost) and asking, 'Will we get our money out of it?'" said Andrew Poticha, a partner at Design Construction Concepts Ltd., a full-service design and building firm in Northbrook. He said deciding whether a project makes sense incorporates more than assessing a project's impact on a home's market value. "Basically what we do is look at what the client is going to get for their investment and then compare that to the value to the owners and the value at resale," he said.

"It depends on the condition of the house in general—such as whether it's an old house in an old neighborhood versus a newer subdivision house," said Mike Dew, vice president of Schaumburg-based Oak Tree Construction Services.

For example, while projects such as second-floor additions don't usually offer as high a return as other remodeling jobs, if additions have been or are being added to surrounding houses, the value could change. "When the appraiser sees what's going on in the neighborhood then he or she won't have a problem raising the price of the home," Dew said.

There are, however, some projects that generally do better than others at adding to a home's value and are worth the investment.

"Kitchens are the most important room in the house, and bathrooms are a close second," said Jack Philbin, president of Philbin Construction & Remodeling Co. in Crestwood. "Kitchens and bathrooms sell homes, or prevent people from selling homes," he said.

Dew noted first impressions are important, so improvements to the home's exterior—such as new windows, roof and siding—should be considered.

"When you drive up to a house, the first thing you see is the exterior," he said. "If that doesn't show well it's going to

put (prospective buyers) in a negative frame of mind right off the bat.” Poticha added that a house’s systems—such as plumbing, heating and electrical—should be in good working condition. “Anytime you upgrade the critical systems in your house it upgrades your value at resale,” he said.

Big value doesn’t always have to carry a big price tag or require significant construction. “If people are remodeling with the intent of selling within a year or so, the ones who do better are the ones who do the cosmetic things,” said Don Van Cura, president of Don Van Cura Construction Co., Chicago. Smaller jobs—such as painting, new carpeting or updating kitchen appliances and cabinets—can have significant impact on a house’s market value. “If things are relatively neat and organized, people generally will say the house is in good shape,” Van Cura added.

Of course, the return on a remodeling investment is directly affected by the cost. Reaching a consensus on how much to spend on a particular project can be as elusive as determining its ultimate contribution to a home’s value.

“It really depends on what the homeowners want to do and the grade of material he or she wants to use,” said Mimi Kay Altman, executive director of the National Association of the Remodeling Industry of Greater Chicagoland, Des Plaines. “People tend to go in with a K-Mart budget but a Marshall Field’s philosophy.” “First we establish what the needs are. Once we’ve done that, then we talk about the wants. Often times those are at two different ends of the spectrum,” Philbin said. “Unless they’ve already talked to a lot of people, clients usually don’t have any idea what a project will cost,” he said.

In addition, homeowners can quickly drive up the cost of a project and erode much, if not all, of the return by deciding to use high-cost materials or by adding to a project after the work has begun.

“In an average year, 17% of our annual volume is the result of change-orders,” Philbin said. “But, almost 100% of the time they’re customer-initiated change-orders, or what we

call ‘while you’re here’ work,” he said. “I often have to be the bearer of bad tidings to a lot of people in order to keep them (and costs) in control.” Poticha noted, however, there are two ways to measure a project’s value—the financial return at resale and the personal satisfaction the homeowner receives when the work is done—so people shouldn’t necessarily shy away from high-quality materials. “You have to consider that personal value,” he said. “You can’t just look at the monetary value.” The homeowner should be aware, though, that a prospective buyer might not share the same views, he added. A person who enjoys preparing gourmet meals, for example, would place a higher value on a professional-style kitchen than somebody who frequently dines out.

“Big time finishing of basements doesn’t bring the kind of return that other projects do,” Poticha added, noting that while some people view a basement as an extension of the living space, others see it merely as storage space. “It’s a hit-or-miss kind of thing,” he said.

“You can go overboard,” Dew said. “I always caution people that whatever you put in, make sure you can take it with you.” Most projects will increase a home’s value, so many remodelers say that consumers should not put too much emphasis on recouping their investment. It’s more important, they say, that the homeowner is happy with the finished product.

“I think people fool themselves when it comes to remodeling projects,” said Van Cura. “I don’t think there’s anything that anyone does to their home where they truly get their money back because of the time invested,” he said. Instead, he said he advises his clients to “work on your home and do what you want to do for you.” Van Cura added that it is difficult if not impossible to anticipate the needs and preferences of the new owner. “If I had to sum it up, I’d say don’t worry about resale,” he said. “Does someone really want to remodel for somebody they don’t know and whose tastes they don’t know?” Andy Poticha and Michael Menn, AIA, CGR



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