



Home Improvement Tips

When it comes to home improvement projects, not every renovation or remodeling effort will pay off when the owner sells their home. Consumers should be aware that cost does not necessarily equal value. Here are some other tips for homeowners:

What home improvement projects yield the best return on investment?

Typically the basic upgrades – from painting the walls neutral colors to installing new fixtures – offer the largest returns. After those, homeowners can add value by undertaking renovation projects that bring their homes up to – but not beyond – community norms. Projects known to offer a good return on investment include updating of kitchens or bathrooms, adding a bedroom and improving a home's curb appeal.

What home improvement projects yield the worst return on investment?

Projects that take a home significantly beyond community norms are often not worth the price they cost in a resale situation. They certainly may benefit a homeowner's quality of life, but if they don't match what's standard in a community, they'll be considered excessive and may offer a very low return on investment.

How long until a home improvement project pays for itself?

With the housing market still struggling, it may be best to hold off on big renovations if a homeowner isn't sure how long they will be in their home. The longer a homeowner stays in a property, the greater the opportunity for a return on investment – especially as home prices will begin to increase down the road.

Are “green” renovations worth it?

It all depends on the improvements made. Some green renovations, such as adding Energy Star appliances and extra insulation, are likely to pay the homeowner back in lowered utility bills relatively quickly. Lower utility costs also are a draw for potential home buyers.

Other green improvements, such as Energy Star-qualified windows, may be pricier, but can reduce a homeowner's energy bills by anywhere from 7 to 24 percent compared to non-qualified windows, according to the federal government's Energy Star program.

The amount a potential home buyer is willing to pay for green upgrades is at the discretion of each individual home buyer. These items are sometimes considered for value increases by appraisers in a quality adjustment.

How can appraisers help homeowners?

Unlike a real estate agent or broker, the appraiser is an impartial party to any real estate transaction and has no vested interest in the sale of a property. For an objective, unbiased analysis of what their home would be worth both before and after an improvement project, a homeowner can work with a professional real estate appraiser to conduct a feasibility study.

During a feasibility study, the appraiser will analyze the homeowner's property, weigh the cost of rehabilitation and provide an estimate of the property's value before and after the improvement.

How much will a feasibility study cost?

There is no set fee and every appraiser is different. A general idea of what it may cost for this detailed analysis would be, very roughly speaking, somewhere between \$300 and \$600 for an average house, depending upon the appraiser and the extensiveness of the study. Costs will vary by market and among regions of the country. Other factors could affect the cost as well; each situation is unique.

Where can a homeowner learn more about home improvements?

The Appraisal Institute offers a free, informative brochure titled "Rehabbing & Remodeling," which provides consumers with advice on what to do before undertaking a home improvement project. It can be found online at www.appraisalinstitute.org/findappraiser/brochures/Rmdlng_n_Rhab.aspx.

In addition, the Remodeling 2011–12 Cost vs. Value Report, published by Hanley Wood gives a general dollar estimate and the percentage of return a homeowner can expect to receive from an improvement project in a resale situation. That report is available at <http://www.remodeling.hw.net/2011/costvsvalue/national.aspx>.

How can a homeowner locate a professional appraiser in their area?

Finding a professional appraiser is just a few clicks away. Simply go to www.appraisalinstitute.org/findappraiser, where consumers can search for appraisers in their area.