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When It Comes to Remodeling, It's What's Outside That Counts, Realtors® Report

WASHINGTON, December 03, 2007 - Many buyers judge a house by its exterior, or so it seems from the results of the 2007 Remodeling Cost vs. Value Report. Three of the four projects with the highest national percentage of costs recouped this year were exterior upgrades.

The most profitable project on the national level was upscale siding replacement, recouping 88 percent of costs upon resale. Wood deck additions and wood window replacements also returned more than 80 percent of costs, at 85 percent and 81 percent, respectively. On a national average, the only interior project to return more than 80 percent of remodeling costs this year was a minor kitchen remodel, returning 83 percent of project costs at resale.

"The results of this year's Cost vs. Value report underscore the importance of curb appeal in the buyer's eye," said NAR President Dick Gaylord, a broker with RE/MAX Real Estate Specialists in Long Beach, Calif.

"Realtors® know what attracts buyers in their local markets and can help your house put its best façade forward, so to speak – it's another way Realtors® add value to the real estate transaction."

The 2007 Remodeling Cost vs. Value Report compares construction costs with resale values for 29 midrange and upscale remodeling projects comprising additions, remodels and replacements in 60 markets across the country. Data are provided for nine U.S. regions, following the divisions established by the U.S. Census Bureau. This is the 10th consecutive year that the report, which is produced by Hanley Wood, LLC, was completed in cooperation with REALTOR® Magazine, as Realtors® provided their insight into local markets and buyer home preferences within those markets.

Four new projects were added this year: the aforementioned wood deck addition, a back-up power generator, and both a midrange and upscale garage addition. Nationally, the back-up power generator only returned 58 percent of the investment on resale, although the return was highest in the West South Central region, which comprises Arkansas, Louisiana, Oklahoma, and Texas, at 68 percent. Buyers in the Pacific region of Alaska, California, Hawaii, Oregon and Washington value their garages: The midrange garage addition returned nearly 70 percent nationally but 88 percent in this region, while the upscale garage addition returned approximately 65 percent nationally but 78 percent in this area.

Homeowners in the Pacific region could also expect to see some of the highest percentages of remodeling expenses returned at resale, with 13 of the 29 projects returning 90 percent or higher of project costs. Homeowners in the East North Central region of Illinois, Indiana, Michigan, Ohio and Wisconsin might expect some of the lowest returns; only one project – upscale fiber cement siding – returned more than 80 percent upon resale (82 percent of costs recouped), while nine projects returned

less than 60 percent of project costs.

The least profitable projects were a back-up power generator, sunroom addition, and home office remodel. The back-up power generator returned the lowest percentage of initial cost in the East North Central, New England (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont), Pacific, and West North Central (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota) regions.

Sunrooms are least popular in the East South Central (Alabama, Kentucky, Mississippi and Tennessee), Mountain (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico and Wyoming), and West South Central regions. Home office remodels return the lowest percentage of project costs in the Middle Atlantic (New Jersey, New York and Pennsylvania) and South Atlantic (Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia and West Virginia) regions.

Gaylord explained that the resale value of any given remodeling project depends on a variety of factors. "When considering a remodeling project, particularly with an eye toward resale, it's important to evaluate your home's current condition, how the project will change the existing space in your home, as well as how your remodeled home will compare to other homes in your community," said Gaylord.

"For example, using a breakfast nook to expand the kitchen seems like a good use of space, but using the same space to add a first-floor bathroom in an older home that doesn't have one will draw more buyers," Gaylord said. "Realtors® see hundreds, if not thousands, of homes every year with their buyer clients and can provide valuable insight into what projects and improvements will make a difference with buyers in your area."

Results of the report are summarized in the December 2007 issue of REALTOR® Magazine. To read the full project descriptions, access national and regional project data, and download a free PDF containing data for any of the 60 cities covered by the report, visit www.costvsvalue.com. "Cost vs. Value" is a registered trademark of Hanley Wood, LLC.

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