

# Making home improvements pay

What's the return for remodeling? Remodeling magazine's annual report compares construction costs with resale values for 25 common remodeling projects in 60 U.S. markets.

Prices for most remodeling projects continue to climb, while the recoup value of improvements at resale is declining to levels last seen in 2002. These are the findings of Remodeling magazine's 19th annual "Cost vs. Value Report"—the eighth prepared in cooperation with REALTOR® Magazine. None of this should come as much of a surprise to you: This year's recoup values confirm the housing slowdown many parts of the country are experiencing.

With both home-sale and remodeling activity at record levels in the last five to six years, some cooling is inevitable. Indications are that the current downturn represents a return to "normal" levels. (See "No cause for alarm")

A number of improvements designed to make the report more reliable and useful has also affected both cost and value data. For starters, Remodeling took a fresh look at the specs for the 25 projects it studies each year. (REALTOR® Magazine, in the past, has limited the number of projects it included in its coverage.) The cost-to-construct figures (which include labor, material, subcontractors, and gross profit) are higher than in previous years, but also more accurate. (Read full project descriptions at [www.remodelingmagazine.com](http://www.remodelingmagazine.com).) The estimates of resale value are also more accurate than ever before (see "Survey confidence is high," below), thanks to the more than 2,000 members of the NATIONAL ASSOCIATION OF REALTORS® who completed Remodeling's e-mail survey this past summer.

In addition, the report introduces nine regional averages, following the divisions established by the U.S. Census Bureau. This breakdown provides higher confidence levels than could be achieved with the four larger U.S. regions measured in previous years.

## What the numbers mean

When comparing cost estimates for actual projects, remember that averaging tends to have a leveling effect on "Job Cost" data. And, seemingly small differences in size, scope, or quality of finishes can dramatically affect the final project cost. Remember, too, that, even in neighborhoods in the same city, local conditions can affect both the cost and value of a remodeling project, making our numbers appear too high or too low.

In an actual real estate transaction, the "cost recouped" for a given remodeling project depends on a variety of factors. These include the condition of the rest of the house, the value of similar homes nearby, and the rate at which property values are changing in the surrounding area. A home's urban, suburban, or rural setting also affects its value, as does the availability and cost of new and existing homes in the immediate vicinity.

Bring value to clients and customers by marrying information from the report with your home pricing expertise and your knowledge of qualified remodelers in your area.



## New this year!

### DOWNLOADABLE CITY REPORTS

Purchase four-color downloadable PDF reports just for your city or other cities of your choice at [www.costsvsvalue.com](http://www.costsvsvalue.com). Each report contains data on 25 popular projects, including national and regional statistics. Single-print PDF, \$9.95, first city (\$3.95 each additional city); multiple-print PDFs, \$39.95, first city (\$12.95 each additional city). Also available: a printed booklet featuring all projects for all 60 cities.



**RESEARCH TEAM** Specpan ([www.specpan.com](http://www.specpan.com)), an Indianapolis-based market research company, programmed and hosted the Web-based survey, collected and compiled the data, and provided pre- and post-survey consulting. More than 100,000 NATIONAL ASSOCIATION OF REALTORS® members—salespeople, brokers, and appraisers—received e-mail links to the survey. Of those, 2,188 provided value estimates. Homotech Information Systems ([www.homotechonline.com](http://www.homotechonline.com)), the Bethesda, Md.-based estimating software developer, provided cost-to-construct estimates for each of the 60 cities surveyed. **SURVEY CONFIDENCE IS HIGH** The statistical accuracy or confidence level of the national averages is 95 percent (+/- 2 percent), which means that 95 percent of the time, national results for this survey will fall within 2 percent to either side of the results published here.

