
Home Rehabs: Still Many Happy Returns

Many people are wondering where their money will be safest during these uncertain economic times. When home owners turn to you for your expert advice, counsel them that some things never change: Investing in their home still pays off.

NATIONAL ASSOCIATION OF REALTORS statistics show that home prices have fallen by an average of 7 percent nationally in the past year. But the value of home owners' investment in remodeling projects has declined only 3.86 percent on average between 2007 and 2008, according to Remodeling's 2008-2009 Cost vs. Value Report.

Remodeling produces the Cost vs. Value Report each year in cooperation with REALTOR magazine. REALTORS responding to a survey in midsummer said home owners could expect to recoup a national average of 67.3 percent of their investment in 30 different home improvement projects. At the height of the housing boom in 2005, home owners could expect to recoup a national average of 86.7 percent on projects.

Remodeling remains hot in 10 cities, where, on at least some projects, home owners can recover 100 percent of their costs. In Charlotte, N.C., for example, decks, midrange kitchen remodels, vinyl siding, and window-replacement projects all would net more than they cost, in respondents' estimation. High rates of recovery were seen in both strong real estate markets and weak ones. Many cities with the highest rates of recovery were smaller-Jackson, Miss., and Billings, Mont., for example-which may point to lower labor and materials costs that are easier to recoup. (Billings, Mont.? Yep. This year's report is expanded to include 79 markets-up from 64 in past years.) Seattle also made the list of cities with a cost recovery of more than 100 percent on decks and minor kitchen remodels. In fact, Pacific Coast cities recorded the best payback on remodeling by a wide margin, as they did in 2007. Although construction costs on the Pacific Coast are nearly 17 percent higher than national averages, the value of renovations at resale more than makes up for those higher prices. The result is an average cost-recouped percentage that's 14.8 percent higher than in the rest of the country. The toughest place to get your money back: Midwestern cities such as Chicago, Cleveland, Indianapolis, and Milwaukee.

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Realtor Magazine