

FIX IT UP!

Bruce Turner

Remodeling Bubble Still Going Strong

Talk to a home buyer, home seller or real estate pro these days and you'll get a brisk debate about whether there's a real estate bubble in our area – and whether it's going to pop. But there's no debate on about the remodeling bubble – it's still fully inflated, and that could be very good news for the value of your home.

What remodeling bubble, you ask? Well, every year the Cost vs. Value Report by Remodeling Magazine lays out statistics on the investment return of kitchen and bathroom remodels, room additions and other projects in every major city in America. Last year, the San Francisco numbers were stunning – 150 percent returns on many bathroom, kitchen and deck projects. In other words, every \$10,000 you laid out for a project like that would enhance the value of your home by \$15,000.

The good news is that this year's Bay Area numbers are still in the stratosphere, far and away the highest in the U.S. According to the latest report, an upscale bathroom remodel that costs you \$32,000 will increase your home's value by almost \$46,000, returning 142 percent on your investment. That's pretty sweet, compared with returns of 108 percent in Sacramento, 100 percent in LA and 69 percent in Vegas.

Don't want to put 32K into your bathroom? A mid-range bathroom remodel costs an average of \$13,700 in the Bay Area and increases your home value by over 23K. That's a 169 percent return. The same project in Salt Lake City returns about 80 percent.

If you remodel your kitchen, you'll be cooking up some serious equity as well. The survey says low-end (\$17K) and mid-range (\$52K) kitchen projects around here return 153 percent and 147 percent, respectively. An upscale kitchen remodel, in the neighborhood of \$100,000, returns about 118 percent, compared with the national average of 85 percent.

And again this year, you can generate the same equity benefits with much smaller projects, even regular maintenance. Does your roof need replacing? The report says that on average you'll spend almost \$16,000, which is a pain in the wallet – until you find out the new roof will enhance your home value by more than \$18,000. Spend \$9600 on new siding and your home value increases \$10,700. Replacing your windows or adding a small deck are both projects that cost in the low five figures and boast return rates of 130 and 160 percent, respectively.

Of course, all remodeling projects cost more in the Bay Area than in any other market in the country – hey, everything is more expensive here! – but the differences are relatively minor. For example, the mid-range kitchen remodel that I mentioned would cost about \$2K more here than the average for the West region. But it'll increase your home's value by \$9K more than the West average. So even at the higher cost basis, it's a good investment.

Not everyone is thrilled about spending the amounts of money we're talking about here. But there are ways to keep those costs under control. One, of course, is to do some of the work yourself. Another is to be in command of the budgeting process, and to really spend some time up front planning, so you don't spend more than you intended. We'll talk about bustproofing your budget in the next column.

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