

Which Improvements Pay Back?



Some remodeling projects may improve your home without significantly increasing your home's value. Find out which ones pay back.

Recouping your remodeling investment may be your goal when you sell your house. But when it comes to resale value, all home improvements are not created equal. As a rule, kitchen remodeling projects and bathroom additions almost always pay back 90 percent or more of their costs. However, finishing a basement usually pays back less than 50 percent. Other improvements fall somewhere in between.

Understanding Payback Value

Payback value depends heavily on the real estate market and prevailing property values. If the market is slow, expect to see less payback than you would in a fast market. Also, consider the neighborhood: If you remodel your house to twice the size of the other homes on the block, it is unlikely that you will be able to sell at double the price. Issues that can influence payback value include:

- Type of improvement – Kitchen and bathroom remodeling projects consistently return the most in resale value and almost always help sell a house. Converting a basement into a family room yields the smallest return on the investment.

- Scope of improvement – Projects can be large or small. Sometimes, the cumulative effect of small projects can pay back more in resale value than that of larger projects. Small projects tend to be cosmetic in nature: fresh paint, new doors, garden windows, and ceiling fans. Large improvements involve adding or upgrading living space.
- Desirability – Today's fad may be tomorrow's standard. Backyard decks, for example, were difficult to find 30 years ago; now they are common. Decks may not have paid back very much in resale value decades ago, but as decks have become more desirable, their resale value has increased.
- Cost – The price of home improvements fluctuates depending on economic conditions and region. If remodeling costs are particularly high in your area (or home sale prices particularly low), you may not recoup as much on your investment as you would if costs were in sync with sales prices.

By MSN House & Home

Project	Cost	Average Payback
Add a new heating or air conditioning system	\$2,000 to \$4,500	100% for heating; 75% for air cond.
Minor kitchen remodeling	\$2,000 to \$8,500	94% to 102%
Major kitchen remodeling	\$9,000 to \$25,000	90%
Add bathroom	\$5,000 to \$12,000	92%
Add a family room	\$30,000	86%
Remodel bathroom	\$8,500	77%
Add a fireplace	\$1,500 to \$3,000	75%
Build a deck	\$6,000	73%
Remodel home office	\$8,000	69%
Replace windows	\$6,000	68% to 74%
Build a pool	\$10,000 and up	44%
Install/upgrade landscaping	\$1,500 to \$15,000	30% to 60%
Finish basement	\$3,000 to \$7,000	15%

*Compiled from several published surveys

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