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Add-ons that Add Up

According to Realtor Magazine, \$143 billion went into home-improvement projects nationwide in 1999, much of it without hope of recouping costs if and when the home is sold. That's because most remodeling is not about resale but about improving the owners' lifestyle. Lifestyle improvements are often made for emotional reasons and can be shortsighted.

So what projects make good sense? We asked builder/designers, real estate agents, and an appraiser – all with very different perspectives – what they thought about remodeling projects as long-term investments.

“The best value added is square footage that's air-conditioned and heated,” says Andrew Gregory of Long Realty, who sells houses across a wide price range. “Perhaps a master bedroom suite with walk-in closets and 10-foot ceilings, if possible.” Long's Janell Jellison, who specializes in high-end homes, would redo the kitchen and bathrooms. Greg Miedema, owner of Dakota Builders, agrees and is also enthusiastic about replacing windows.

Realtor Magazine's annual Cost vs. Value report calculates the national average of cost recovery for the 11 most popular projects the previous year. The changes recommended above are among them. Although a national average does not necessarily apply to Tucson (and we'll get to that later), the relative return rates are instructive and in some cases surprising.

For example, a minor kitchen remodel (\$8,655) recouped 81% in 1999, but a major one (31,090) only 70%. A home office (8,356 for room conversion, cabinetry, and rewiring) returned only 50% in spite of all the attention given to telecommuting.

“Have a plan and stick to it,” counsels Bayard Auchincloss, Realtor for Tucson Realty & Trust. “The most expensive words in remodeling are “While you're at it...”

Master suite

Frequently a master suite is an add-on that includes bedroom, bath, walk-in closets, and an extra space for watching TV. (Right now bedroom “libraries” are in.) The national average cost

last year for a 24' x 26' carpeted bedroom with dressing room and tiled bath (whirlpool tub and separate ceramic shower) was \$42,826. In “hot markets,” returns were as high as 90%.

Alternatively, a master suite can be carved out of existing space, says Janice Donald of Eren Design & Construction Inc. If the goal is simply to create privacy, quiet, and more luxury, this may be more cost-effective (no new foundation and roof or expansion of heating and cooling systems).

Aesthetically, a well-done redesign of existing space can be just as appealing as a whole new wing. However, Jellison points to the frequent mistake of using an existing garage for expansion, which can seriously destroy the flow of a house plan. Better to look at adding on than to wind up with an awkward traffic pattern.

If you love your location but have a small lot or want a bedroom with a view, a second-story add-on can be good (if your neighborhood’s deed restrictions allow it). The secret to any addition is to not be able to tell where it begins. This is especially important, Jellison says, if you have a historic property. Doing it right requires research into the appropriate period design. Nationwide, an investment of \$73,553 in a second-story yielded an average 72% return in 1999.

Owners always should look at the situation relative to surrounding homes. Tax records for an established neighborhood usually show some extremes. If the more expensive houses are your immediate neighbors, then your expansion will seem coherent. If the houses on both sides and across the street are not improved, you probably won’t recoup as much.

In some cases, a simple change is the best change – and one you might not have considered. You can replace windows with French doors that lead to the garden for \$300-\$1,000. Money saved can be lavished on a private outdoor “room” with a fireplace or fountain. Outdoor spaces have a 50-60% return.

Bathrooms & kitchens

Houses 20 years old and older probably need new kitchens and bathrooms. While these are the most expensive areas to remodel, improvements add lasting value, and you don’t have to replace everything. Sinks and tubs and even cultured marble can be recoated. Add personality by simply putting interesting drawer pulls on built-in cabinets.

Timeless and classic styles work best from a resale point of view. Or take a cue from new luxury homes – remarkable for their gourmet kitchens featuring granite countertops, professional appliances, and two old-fashioned amenities – walk-in pantries and dumb waiters.

Minor kitchen remodels return the most value of any project – Realtor Magazine cited 81% on an \$8,655 investment. This includes cosmetic work on cabinets and upgrades on flooring, plus

a new, energy-efficient oven and cooktop and mid-priced sink and faucet. The major kitchen remodel, replacing old cabinets and appliances and adding a microwave, disposal, and custom lighting returned 70% of \$31,090.

A bathroom remodel averages \$9,135 and recoups 71%. This means replacement of the fixtures, adding double vanity sinks, tiles on floor and walls, and new lighting – all in a 5' x 9' space. This compares to a 6' x 8' full bathroom addition costing \$13,918, which yields a tiny bit more at resale (72%).

Miedema thinks remodeled kitchens and bathrooms can yield a full 100% if done by qualified professionals. What makes a guaranteed improvement, Jellison says, is tile – as long as it is neutral in color or Mexican Talavera, which is timeless in Tucson. Talavera tiles might not be as wise in Maine. Culture counts.

Designers, builders, and architects can show you what's available and what can be done with your house, but ultimately you decide what you want. Sometimes what you would enjoy most may not be practical at all. A common misstep is adding a swimming pool that is not in keeping with the neighborhood either cost-wise or aesthetically. A knowledgeable lender might even turn you down.

Window replacements are tricky. Nationally, the average return for 10 new aluminum-clad windows is only 56%, higher in cold country. In Phoenix the return is 35%, in Albuquerque 75%. Miedema thinks it's 70% in Tucson. Energy savings can make the difference if people are aware of the facts. Wood frames have 1,000 (yes, 1,000) times the insulating quality of aluminum frames," Miedema says.

Other considerations

You can't look at remodeling costs without looking at the emotional value. This issue surfaces, says Eric Schneider, founder of Eren Design & Construction Inc., when a newly married couple wants to renovate a house one of them has lived in for years. Sometimes it's way out of date, but the motivation might be to rid the house of "old energy and ways of being." They'll do whatever it takes just to support their relationship.

The Realtors all seem to agree that it's important to keep a house up-to-date. Auchincloss called our attention to a home that sold quickly in 1997 for \$305,000, then was completely redesigned. It's now priced at \$849,900. In the process it grew from 4,348 to 6,100 square feet. The original was flat-roofed Territorial style. By adding porches and enclosing a court with a pitched roof and arches, the house was given an impressive Spanish look. It gained a gourmet kitchen and lost a pool. But the telling detail; is the convenient location in the desirable "old" Catalina Foothills, where there are no lots left.

Appraiser Steve Cole of Southwest Appraisal Associates cautions that even if the neighborhood is prime, home values will fluctuate over time due to local issues hard to forecast, such as environmentalists' concerns, energy costs, increased traffic, and schools' rising or sinking reputations.

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