



REALTOR[®]
MAGAZINE ONLINE

Search



[Home](#) [FAQ](#) [About Us](#)

This article was published on: **12/01/2007**

2007 Cost vs. Value Report

It's Payback Time

Remodeling magazine's annual "Cost vs. Value Report" shows exterior and replacement projects bring the biggest return.

ADAPTED FROM REMODELING MAGAZINE

Home rehabbers who are considering a move in the not-too-distant future should focus mostly on exterior upgrades. That's the message from REALTORS[®] who participated in *Remodeling* magazine's 20th annual "[Cost vs. Value Report](#)", done in cooperation with REALTOR[®] Magazine.

REALTORS[®] in 65 markets were given construction specs and costs on 29 upscale and midrange projects and asked to estimate the percentage return at resale.

Of projects that saw national cost recovery rates of more than 80 percent in 2007, only one — a minor kitchen remodel, with 83 percent of cost recovered — was a strictly interior job. The others were an upscale siding replacement using fiber cement materials (88.1 percent), a wood deck addition (85.4 percent), midrange vinyl siding replacement (83.2 percent), and upscale

New this year!

Free city reports once you register at www.costvsvalue.com.

A map on the site shows cost comparisons by region.

Projects with highest national percentage of costs recouped:

88%

Upscale siding replacement

85%

Wood deck addition

81%

Wood window replacement

83%

Minor kitchen remodel



[December Issue](#)

[Current Links](#)

[Past Articles](#)

[Address Changes](#)

SELLING

[Personal Marketing](#)

[Property Marketing](#)

[Prospecting](#)

[Listing](#)

[Working With Buyers](#)

[Negotiating](#)

[Closing](#)

[Follow Up](#)

[Handouts for](#)

[Customers](#)

[For Rookies](#)

[Personal Assistants](#)

[Sales Coach Column](#)

TECHNOLOGY

[Ask Mr. Internet](#)[Build a Better Web](#)[Site](#)[Buyer's Guides](#)[Cool Tools](#)[Tech Watch](#)

TOOLS

[Architecture Guide](#)[Book Blog](#)[Online Exclusives](#)[Archive](#)[Quizzes](#)

REAL ESTATE NEWS

[Today's News](#)[Regional News](#)[Commercial News](#)

BROKERAGE MANAGEMENT

[Prepackaged Sales](#)[Meetings](#)[Risk Management](#)[Retirement Planning](#)[Retaining Top](#)[Personnel](#)[Hiring Personnel](#)[Learn to Lead](#)[Marketing Your](#)[Brokerage](#)

GENERAL INFORMATION

[Advertise With Us](#)[Editorial Calendar](#)[Subscriptions](#)[Reprints](#)[About Us](#)[REALTOR.org](#)

vinyl and midrange wood window replacements (81 percent and 81.2 percent, respectively).

On most projects, the value of remodeling trended down in 2007 compared with 2006. No project exceeded an 88 percent return. The likely culprits for the year-to-year drop: rising remodeling costs and slowing home appreciation brought on by the lackluster housing market in many areas.

The story was somewhat different in the Pacific region, however, where REALTORS® estimated cost recovery of more than 100 percent for six projects: a wood deck addition, a minor kitchen remodel, fiber-cement siding replacement, wood window replacement, and an upscale wood and vinyl window replacement.

Nationally, projects at the bottom of the cost-recovery ladder included home office remodels (57 percent), installing a back-up power generator (58 percent), and adding a mid-range sunroom (59.1 percent).

Put Costs and Values in Context

Looked at over a number of years, some projects appear to recoup considerably less than others. Home office remodels, for instance, have been at or near the bottom of the national averages since 2005 when the project was added to the survey. People investing in a home office typically do so to fill a specific need, such as to start a home-based business or telecommute. A prospective buyer with different space needs won't see the value, regardless of the cost.

On the other hand, since minor kitchen remodels were added to the report in 2004, they've consistently ranked among the highest-value projects, according to practitioners surveyed.

When looking at cost estimates for individual

projects, remember that averaging tends to have a leveling effect on job cost data. Also, seemingly small differences in project size and scope, or in the quality of finishes, can dramatically affect final project cost.

It's also important to consider whether a remodeled space reduces the perceived number of rooms or available square footage. For example, carving a half-bath out of unused storage space under a staircase is an obvious gain in usable space. But converting an existing bedroom into a master bath, while a positive development in many respects, may reduce the number of bedrooms below the minimum expectation of some prospective buyers.

Similarly, the cost recouped on a given remodeling project depends on a wide variety of factors. These include the condition of the rest of a 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.

Finally, there can be wide regional swings. A midrange bathroom remodel recovers 85 percent of its cost in the South but only 63 percent in the Midwest.

Where resale value is a major factor in a home owner's decision to remodel, the best course of action is to consult with a local remodeler about construction cost — and look closely at the comps and market conditions.

Survey Changes Affect Results

Some of the volatility in year-to-year comparisons results from two changes to the survey itself. The first is a general overhaul of the project descriptions and cost estimates,

begun in 2006 and completed this year. These changes resulted in cost increases larger than would have resulted simply from rising labor and material costs, notably for major kitchen remodels, bath projects, and siding replacements. The construction costs are more accurate than in previous years, but they combine with slower home appreciation to create a lower percentage in the value column.

The second change began in 2002 with the introduction of higher-priced upscale versions of some projects. Although the range of costs thus created made the report more useful, it impacted year-over-year comparisons. While the trend of core projects turned down in 2003, the trend for all projects peaked in 2005 before turning downward.

As we continue to survey all 29 projects, we expect trend data to become more reliable. Until then, the most useful comparisons are of national data for single projects and of regional cost and value differences.

About the Survey

Construction cost estimates for the 2007 Cost vs. Value Report come from [HomeTech Information Systems](#), a remodeling estimating software company based in Bethesda, Md., which regularly collects current cost information from a nationwide network of remodeling contractors and suppliers and applies an adjustment factor to account for regional pricing variations. Construction cost figures include labor, material, subtrades, and contractor overhead and profit.

Over the last two years, project specifications and estimating templates have been updated to clarify dimensions, modify material specs, and ensure that special requirements such as laying tile on the diagonal were properly accounted for. In some cases, this process resulted in prices that

are higher than what would be expected from price inflation alone. Although such pricing adjustments affect year-over-year price comparisons, all of the values in the 2007 Cost vs. Value Report are based on the refreshed prices, which we consider to be more accurate than before.

For each project, the value data are aggregated from estimates provided by members of the NATIONAL ASSOCIATION OF REALTORS®. E-mail surveys containing project descriptions, construction costs, and median home price data for each city were sent to more than 100,000 appraisers, sales associates, and brokers. Survey respondents were asked to use this information to estimate the value that the remodeling projects would add to the house at resale in the current market, assuming that the project was recently completed.

The survey took place over eight weeks in July and August 2007. The survey was administrated by [Specpan](#), an Indianapolis-based market research company specializing in business-to-business Web-based surveys.

For the national averages, the confidence level is 95 percent +/-2 percent based on 2,770 survey respondents. This means that 95 percent of the time, national averages for this survey will fall within 2 percent of either side of the results of this year's survey.

 [Print Page](#)  [E-mail Page](#)  [Give Feedback](#)



[Make REALTOR® Magazine Online Your Homepage](#)

[Bookmark This Page](#)

[Home](#) [About Us](#) [Contact Us](#) [Privacy Policy](#) [Advertise With Us](#)

[REALTOR.org Home](#)

© Copyright, 2007, by the NATIONAL ASSOCIATION OF REALTORS®