

ADAPTED FROM REMODELING MAGAZINE Through an agreement with *Remodeling*, REALTOR' Magazine brings you the average cost recouped for 25 home improvement projects in nine regions (see p. 38), plus city-by-city cost and recoup value data for five of the most popular projects (pages 33–39).

What's the return for remodeling? Remodeling magazine's annual report compares construction costs with resale values for 25 common remodeling projects in 60 U.S. markets.

Prices for most remodeling projects continue to climb, while the recoup value of improvements at resale is declining to levels last seen in 2002. These are the findings of Remodeling magazine's 19th annual "Cost vs. Value Report"—the eighth prepared in cooperation with REALTOR' Magazine. None of this should come as much of a surprise to you: This year's recoup values confirm the housing slowdown many parts of the country are experiencing.

With both home-sale and remodeling activity at record levels in the last five to six years, some cooling is inevitable. Indications are that the current downturn represents a return to "normal" levels. (See "No cause for alarm")

A number of improvements designed to make the report more reliable and useful has also affected both cost and value data. For starters, Remodeling took a fresh look at the specs for the 25 projects it studies each year. (REALTOR' Magazine, in the past, has limited the number of projects it included in its coverage.) The cost-to-construct figures (which include labor, material, subcontractors, and gross profit) are higher than in previous years, but also more accurate. (Read full project descriptions at www.remodelingmagazine.com.) The estimates of resale value are also more accurate than ever before (see "Survey confidence is high," below), thanks to the more than 2,000 members of the NATIONAL ASSOCIATION OF REALTORS' who completed Remodeling's e-mail survey this past summer.

In addition, the report introduces nine regional averages, following the divisions established by the U.S. Census Bureau. This breakdown provides higher confidence levels than could be achieved with the four larger U.S. regions measured in previous years.



What the numbers mean

When comparing cost estimates for actual projects, remember that averaging tends to have a leveling effect on "Job Cost" data. And, seemingly small differences in size, scope, or quality of finishes can dramatically affect the final project cost. Remember, too, that, even in neighborhoods in the same city, local conditions can affect both the cost and value of a remodeling project, making our numbers appear too high or too low.

In an actual real estate transaction, the "cost recouped" for a given remodeling project depends on a variety of factors. These include the condition of the rest of the 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.

Bring value to clients and customers by marrying information from the report with your home pricing expertise and your knowledge of qualified remodelers in your area.



New this year!

DOWNLOADABLE CITY REPORTS

Purchase four-color downloadable PDF reports just for your city or other cities of your choice at www.costvsvalue.com. Each report contains data on 25 popular projects, including national and regional statistics. Single-print PDF, \$9.95, first city (\$3.95 each additional city); multiple-print PDFs, \$39.95, first city (\$12.95 each additional city). Also available: a printed booklet featuring all projects for all 60 cities.



RESEARCH TEAM Specpan (www.specpan.com), an Indianapolis-based market research company, programmed and hosted the Web-based survey, collected and compiled the data, and provided pre- and post-survey consulting. More than 100,000 NATIONAL ASSOCIATION OF REALTORS' members—salespeople, brokers, and appraisers—received e-mail links to the survey. Of those, 2,188 provided value estimates. Hometech Information Systems (www.hometechonline.com), the Bethesda, Md.-based estimating software developer, provided cost-to-construct estimates

for each of the 60 cities surveyed, SURVEY CONFIDENCE IS HIGH The statistical accuracy or confidence level of the national averages is 95 percent (+/- 2 percent), which means that 95 percent of the time, national results for this survey, will fall within 2 percent to either side of the results published here.



No cause for alarm

Should you be concerned about lower recoup values in this year's Cost vs. Value Report? The unusually strong housing market over the past few years has boosted both remodeling and new-construction activity. For many home owners, the appreciation in house prices significantly added to their net worth. Similarly, home improvement projects often paid for themselves through a comparable increase in the home's value. But every good thing must come to an end. Eventually, things return to normal. Luckily, today's "normal" is great news for home owners and real estate practitioners: When you consider its value at resale, a home improvement project costs only 20 cents to 25 cents on the dollar. The other 75 cents to 80 cents spent on a project goes directly back into the home through increased value—not to mention increased owner enjoyment.—By Kermit Baker, director of the Remodeling Futures Program at the Joint Center for Housing Studies at Harvard University

Replacement projects lead returns

Of the top 10 projects nationally measured by cost recouped at resale, seven—including the top three—are replacement projects. An upscale fiber cement siding replacement returned 88 percent of the investment. Midrange vinyl siding replacement was second at

87.2 percent, and midrange wood window replacement edged out minor kitchen remodeling for third at 85.2 percent. Only roofing replacement finished outside the top 10 projects, at 73.9 percent for a midrange job, and 72.9 percent for an upscale one.

Energy efficiency in the face of high fuel prices could be a logical reason why replacement projects are high-value performers. But Charlie Gindele, president of Dial One Window Replacement Specialists, in Santa Ana, Calif., calls that a rationalization. The thing that motivates people, by and large, is the aesthetics," he says.

Amy Mills Siler, a salesperson at Joan Ryder and Associates Real Estate Inc., in Bel Air, Md., agrees that most home buyers are looking for a house with curb appeal. "If they drive up to a house with dingy aluminum siding and old windows, the buyers automatically get a bad taste in their mouth," she says. "The old saying 'Don't judge a book by its cover' falls on deaf ears with most clients."

Gindele, who works in Orange County, Calif., where median housing prices in the second quarter of 2006 topped \$726,000, says the return on investment is just an added bonus to home owners, who undertake remodeling projects for a variety of benefits. Among other things, "they do it because they want the ease of operation, the beauty, the sound-deadening component," he says. "But it's nice to recover your expense."

| ADDITIONS | ES Job | Resale | | | | |
|-------------------------------|----------|----------|------------|--|--|--|
| MINIMAN | Cost | Value | Recouped | | | |
| Bathroom | \$28,918 | \$21,670 | 74.9% | | | |
| Deck | 14,728 | 11,307 | 76.8 | | | |
| Family room | 74,890 | 53,519 | 715 | | | |
| Master suite | 94,331 | 68,458 | 72.6 | | | |
| Sunroom | 49,551 | 32,854 | | | | |
| Two-story | 105,297 | 87,654 | | | | |
| OTESTO/AN III | 100000 | - | - STATE OF | | | |
| Bathroom | 60,535 | 44,041 | 72.8 | | | |
| Master suite | 176,268 | 128,096 | 72.7 | | | |
| REMODELS | | | | | | |
| MIDRANGE | | | | | | |
| Attic bedroom | \$44,073 | \$35,228 | | | | |
| Basement | 56,724 | 44,685 | | | | |
| Bathroom | 12,918 | 10,970 | 84.9 | | | |
| Home office | 20,057 | 12,707 | 63.4 | | | |
| Kitchen (major) | 54,241 | 43,603 | 80.4 | | | |
| Kitchen (minor) | 17,928 | 15,278 | 85.2 | | | |
| HESOTATE: | | | | | | |
| Bathroom | 38,165 | 29,529 | | | | |
| Kitchen (major) | 107,973 | 81,896 | 75,8 | | | |
| REPLACEMENTS | | | | | | |
| Military (Marcella Roofing | 514,276 | \$10,553 | 73.9% | | | |
| Siding (vinyl) | 9.134 | 7963 | 87.2 | | | |
| Window (wood) | 11,040 | 9,416 | | | | |
| Window (vinyl) | 10,160 | 8,500 | | | | |
| ODESTO/AND | -0.0400 | 221004 | | | | |
| Roofing | 24,693 | 18,012 | 72.9 | | | |
| Siding (fiber cement) | 13,149 | 11,573 | 88.0 | | | |
| Siding (foam-backed vinyl) | 11,139 | 9,258 | 83.1 | | | |
| Window (wood) | 16,910 | 13,952 | 82.5 | | | |
| | | | | | | |

| R EGIONAL 2006 AVE RAGES | N EW ENGLAND CT, MA, ME, NH, RI, VT | | | MIDDLE ATLANTIC NJ, NY, PA | | | SOUTH ATLANTIC DC, DE, FL, GA, MD, NC, SC, VA, W/ | | | EAST NORTH CENTRAL IL, IN, MI, OH, WI | | | WEST NORTH CENTRAL IA, KS, MN, MO, NE, ND, SD | | | | EAST SOUTH CENTRAL AL, KY, MS, TN | | | WEST SOUTH CENTRAL AR LA, OK, TX | | | MOUNTAIN AZ, CQ, ID, MT, NM, UT, WY | | | PACIFIC AK, CA, HI, OR, WA | | |
|-----------------------------|--|--------------------|------------------|-------------------------------|--------------------------------|------------------|--|-----------------|------------------|--|-----------------|------------------|--|-------------------|-----------------|-------------|--------------------------------------|------------------|-----------------------|-------------------------------------|------------------|-------------|--|------------------|--------------|-------------------------------|-------|--|
| ADDITIONS | Job Cost | Resale Value | Cost Recouped | Job Cost | Resale Value | Cost Recouped | Job Cost | Resale Value | Cost Recouped | Job Cost | Resale Value | Cost Recouped | Job Cost | Resale Value R | Cost ecouped | Job Cost | Resale Value | Cost Recouped | Job Cost | Resale Value | Cost Recouped | Job Cost | Resale Value | Cost Recouped | Job Cost | Resale Value | Cost | |
| MH45/MMS13 Bathroom | \$29,562 | \$20,100 | 68.0% | \$31,038 | \$22,051 | 71.0% | \$25,867 | \$21,084 | 81.5% | \$30,586 | \$20,284 | 66.3% | \$30,428 | \$19,447 | 63.9% | \$25,822 | \$20,867 | 80.8% | \$25,563 | \$19,747 | 77.2% | \$27,890 | \$20,449 | 73.3% | \$34,311 | \$31,195 | 90.9 | |
| Deck | 14,723 | 11,630 | 79.0 | 15,033 | 11,817 | 78.6 | 13,975 | 11,611 | 83.1 | 15,081 | 9,594 | 63.6 | 15,063 | 9,729 | 64.6 | 13,891 | 11,488 | 82.7 | 14,006 | 10,601 | 75.7 | 14,672 | 10,740 | 73,2 | 16,297 | 14,846 | 91.1 | |
| Family room | 75,942 | 53,588 | 70.6 | 78,689 | 55,995 | 71.2 | 67,797 | 53,371 | 78.7 | 78,884 | 48,563 | 61.6 | 78,714 | 48,021 | 61.0 | 66,840 | 48,803 | 73.0 | 67,285 | 46,020 | 68.4 | 73,110 | 53,546 | 73.2 | 88,371 | 72,247 | 81. | |
| Master suite | 96,232 | 66,745 | 69.4 | 99,944 | 70,935 | 71.0 | 84,883 | 67,723 | 79.8 | 99,600 | 63,072 | 63.3 | 99,261 | 61,417 | 61.9 | 84,451 | 59,273 | 70.2 | 84,411 | 59,331 | 70.3 | 91,571 | 68,653 | 75.0 | 111,157 | 95,916 | 86 | |
| Sunroom | 49,868 | 33,156 | 66.5 | 51,517 | 33,825 | 65.7 | 46,378 | 34,531 | 74.5 | 51,398 | 29,952 | 58.3 | 51,345 | 30,783 | 60.0 | 45,904 | 32,074 | 69.9 | 45,889 | 29,000 | 63.2 | 48,474 | 31,576 | 65.1 | 55,813 | 39,412 | 70. | |
| Two-story | 106,767 | 86,665 | 81.2 | 110,955 | 88,617 | 79.9 | 96,502 | 88,220 | 91.4 | 109,987 | 78,424 | 71,3 | 109,472 | 80,273 | 73.3 | 95,993 | 76,191 | 79.4 | 94,918 | 70,883 | 74.7 | 102,994 | 90,965 | 88.3 | 122,085 | 123,969 | 101 | |
| IUSO/AU | 200-455 | AND DESCRIPTION OF | | CONTRACTOR NO. | | STORY OF | THE RESERVE OF THE PARTY OF THE | - WESTER | -0.00 | - | and the same | 4000 | CONTRACTOR OF STREET | AND DESCRIPTION | and the last | | | | all market bearing | 10000000 | 2000 | FAMILE IN | ARIS CIDE | M Market | AND LOCATION | and the same of | 1-112 | |
| Bathroom | 61,513 | 40,400 | 65.7 | 63,628 | 44,877 | 70.5 | 55,878 | 43,005 | 77.0 | 63,072 | 39,948 | 63.3 | 62,808 | 40,552 | 64.6 | 55,835 | 44,598 | 79.9 | 55,453 | 41,885 | 75.5 | 59,028 | 43,429 | 73.6 | 68,852 | 59,355 | 86.7 | |
| Master suite | 178,474 | 129,005 | 72.3 | 183,489 | 123,712 | 67.4 | 163,964 | 130,584 | 79.6 | 182,817 | 116,126 | 63.5 | 182,059 | 118,180 | 64.9 | 163,700 | 121,865 | 74.4 | 163,192 | 113,529 | 69.6 | 172,781 | 131,513 | 76.1 | 199,312 | 166,000 | 83,3 | |
| REMODELS | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Attic bedroom | \$45,504 | 532,014 | 70,4% | \$47,494 | \$34,517 | 72,7% | 539,081 | \$35,242 | 90,2% | \$46,867 | \$32,688 | 69.7% | \$46.825 | \$32,749 | 69,9% | \$39,119 | \$33,370 | 85,3% | \$38,520 | \$29,572 | 76.8% | \$42,130 | \$34.235 | 81.3% | \$52,583 | \$51,698 | 98. | |
| Basement | 57.750 | 35,738 | 61.9 | 60.879 | 44,788 | 73.6 | 51,141 | 46.655 | 91.2 | 59.622 | | 62.7 | 59.721 | 40.937 | 68.5 | 51.071 | 43.113 | 84.4 | 50,632 | 43,123 | 85.2 | 54,432 | 46.850 | 86.1 | 66.861 | 62.004 | 92 | |
| Bathroom | 13,248 | 11,207 | 84.6 | 13,843 | 11,163 | 80.6 | 11,778 | 10,226 | 86.8 | 13,574 | 9,742 | 71.8 | 13,462 | 10.062 | 74.7 | 11,874 | 11,559 | 97.3 | 11,585 | 10.034 | 86.6 | 12,335 | 10,674 | 86,5 | 14,889 | 15,361 | 103 | |
| Home office | 20,485 | 11,790 | 57.6 | 20,902 | 13,312 | 63.7 | 18,504 | 12.784 | 69.1 | 21.079 | | 52.4 | 21.007 | 11.548 | 55.0 | 18,735 | 12,923 | 69.0 | 18.529 | 12.156 | 65.6 | 19,425 | 11,839 | 60.9 | 22,385 | 17,403 | 77. | |
| Kitchen (major) | 54,858 | 44,030 | 80.3 | 56,298 | 44,766 | 79.5 | 50.860 | 43,653 | 85.8 | 56,277 | 38,884 | 69.1 | 56,045 | 39,958 | 71.3 | 51,304 | 40.041 | 78.0 | 50,978 | 40,319 | 79.1 | 52,948 | 42,760 | 80.8 | 59,716 | 58,004 | 97. | |
| Kitchen (minor) | 18.081 | 15.511 | 85.8 | 18541 | 15,323 | 82.6 | 17.095 | 15,238 | 89.1 | 18,454 | | 74.8 | 18.354 | 13,471 | 73.4 | 17.179 | 14.357 | 83.6 | 17,037 | 14,033 | 82.4 | 17,487 | 15,164 | 86.7 | 19,366 | 20.614 | 106. | |
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| Bathroom | 39.018 | 27939 | 71.6 | 40,305 | 29,681 | 73.6 | 35.212 | 28,054 | 79.7 | 39.846 | 26.860 | 67.4 | 39.526 | 27,679 | 70.0 | 35,490 | 30,281 | 85.3 | 35,111 | 27.862 | 79.4 | 36.868 | 28,773 | 78.0 | 43.050 | 40,938 | 95. | |
| Kitchen (major) | 108,408 | 77,223 | 71.2 | 110,928 | 80,538 | 72.6 | 103,529 | 85,634 | B2.7 | 10,399 | | 65.8 | 109,956 | 75,059 | 68.3 | 104,161 | 80,319 | 72.1 | 103,879 | 79,139 | 76.2 | 106,401 | B1,047 | 76.2 | 115,549 | 103,798 | 89. | |
| REPLACEMENTS | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Roofing | \$15,946 | \$11,163 | 70.0% | \$16,056 | \$11,536 | 71.8% | \$12,052 | \$10,025 | 83.2% | 515.979 | \$9.624 | 60.2% | \$15.835 | 59,595 | 60.6% | \$12,257 | \$8.873 | 72.4% | 511,209 | \$9.553 | 85.2% | \$12,768 | \$9.644 | 75.5% | \$17,060 | \$15,160 | 88.5 | |
| Siding (vinyl) | 8,717 | 8,225 | 94.4 | 9,483 | 8,748 | 92.3 | 8.285 | 7,400 | 89.3 | 9.351 | 7593 | 81.2 | 9.507 | 7.662 | 80.6 | 7933 | 8,303 | 104.7 | 8,218 | 6,593 | 80.2 | 9.584 | 7.755 | B0.9 | 11,173 | 9,919 | 88. | |
| Window (wood) | 11,218 | 10,276 | 91.6 | 11,610 | 10,095 | 87.0 | 9,974 | 8,559 | 85.8 | 11.714 | 9,174 | 78.3 | 11,703 | 8,544 | 73.0 | 10.076 | 8,509 | 84.4 | 10,038 | 7946 | 79.2 | 10,688 | 9,052 | 84.7 | 12,684 | 12,963 | 102 | |
| Window (vinyl) | 10,201 | 8,830 | 86.6 | 10,682 | 9,523 | 89.2 | 9,162 | 7,450 | 81.3 | 10,753 | 8,751 | 81,4 | 10,796 | 7,720 | 71.5 | 9,272 | 7,786 | 84.0 | 9,284 | 6,931 | 74.7 | 9,862 | 8,369 | 84.9 | 11,768 | 11,338 | 96. | |
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| Roofing | 27,434 | 17,886 | 65.2 | 27,819 | 19,848 | 71.3 | 20,964 | 17,711 | 84.5 | 27,620 | 16,625 | 60.2 | 27,445 | 16,654 | 60.7 | 21,419 | 15,751 | 73.5 | 19,759 | 15,799 | 80.0 | 22,076 | 16,821 | 76.2 | 28,884 | 24,526 | 84. | |
| Siding (fiber cement) | 13,234 | 11,626 | 87.9 | 13,280 | 11,751 | 88.5 | 12,846 | 11,913 | 92.7 | 13,352 | 10,559 | 79.1 | 13,360 | 10,862 | 81.3 | 12,895 | 12,535 | 97.2 | 12,874 | 11,102 | 86.2 | 13,076 | 10,477 | 80.1 | 13,539 | 13,783 | 101 | |
| Siding (foam-backed vinyl) | 10,568 | 9,893 | 93.6 | 11,485 | 9,946 | 86.6 | 10,214 | 9,154 | 89.6 | 11,296 | 8,287 | 73.4 | 11,500 | 8,938 | 77.7 | 9,696 | 8,943 | 92.2 | 10,101 | 7,777 | 77.0 | 11,834 | 8,837 | 74.7 | 13,544 | 11,790 | 87. | |
| Window (wood) | 17,054 | 14,049 | 82.4 | 17,607 | 14,879 | 84.5 | 15,607 | 12,985 | 83.2 | 17,718 | 12,883 | 72.7 | 17,690 | 12,881 | 72.8 | 15,693 | 13,320 | 84.9 | 15,694 | 12,355 | 78.7 | 16,502 | 14,035 | 85.1 | 19,022 | 18,877 | 99. | |
| Window (vinyl) | 13,295 | 11,756 | 88.4 | 13.870 | 12.132 | 87.5 | 11.823 | 10,261 | 86.8 | 13,928 | 10.132 | 72.7 | 13,917 | 10,411 | 74.8 | 11.985 | 11,250 | 93.9 | 11,888 | 9.410 | 79.2 | 12608 | 10.907 | 86,5 | 15,200 | 14,679 | 96. | |

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