

Lifestyle News

Move out or remodel?

There's a lot up for consideration when asking that question

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Struggling with the decision to remodel an existing house or just pick up and move? For many homeowners the final answer is a matter of choosing between love and money.

"When I'm counseling people about that type of decision it usually involves a home they've lived in for quite a while," says Craig LaMar, a broker with the Coldwell Banker Premier Hampton Cove office.

"They've established friends in the area, their children are in school and they generally have their lifestyle set up," he says. "So rather than going through the exercise of moving, there's a lot of traction for adding on or remodeling."

It's not always a clear-cut decision though. The personal attachment a homeowner has to a current house or neighborhood is only one side of the equation.

"Naturally buying a home or remodeling a home are both emotional issues," says LaMar. "But you also want to make a sound financial decision."

When money enters the picture, there are two important things to consider.

First, he says, determine how long the person plans to be in that home. That helps determine the feasibility of recouping remodeling costs in the future.

The other consideration is being careful not to overbuild for the neighborhood. That's very important, says LaMar. If the average house in the neighborhood has three bedrooms, two baths and a garage, but then the homeowner adds a rec room or another bedroom?

"Well, when it's time to resell, the costs recouped will be diminished," he says. "People moving into that neighborhood can't afford something like that."

Having a market analysis completed can help avoid that mistake and assist in the overall decision-making process. The goal, says LaMar, is to try to figure out the cost impact of doing the remodeling or addition, and then determine what of that amount could be recovered if the house did go up for sale.

"The market analysis basically gives homeowners an idea of what the home is currently worth, and gives a projection of what the home might be worth with the additions."

To do that, LaMar looks at what people have recently paid for homes similar to the one in question in the homeowner's immediate area. Then he does another scenario based on the planned add-ons. LaMar says he runs a report for homes that have had similar additions done and that have also recently sold.

That provides an idea of what value may have been added to the home.

It may be that the planned addition may be unreasonable for the particular neighborhood or type of house.

"It'll be the big dog in the neighborhood when it's done, and I have talked people out of remodeling for that reason," says Mike Johnson, owner of Custom Homes Inc. and 2004 president of the Huntsville/Madison County Home Builders Association.

Sometimes people want to do too much to an older house, he says. By the time it's finished, the end result is the equivalent of building a new 2004 model home. But it's sitting in a subdivision from the 1970s or 1980s.

In those situations, Johnson says, he's talked customers out of remodeling and opting instead for selling the house and building a brand new home. It's a matter of looking at the value of the existing property, he says.

Whether building new or moving into an existing home, that option costs money too. According to the American Homeowner Foundation, selling a home and moving typically costs about 8 to 10 percent of the value of the current home. Much of this expense goes into moving expenses, closing costs and broker commissions.

There are costs involved in moving, agrees LaMar, but he says the costs involved in remodeling may still be the bigger issue. For instance, he says a homeowner is going to pay significantly more per square foot to get the same amenities remodeled into a home than if he just moved into a home with those amenities already in place. And then there's still that issue of resale value.

"Generally a renovation when performed by a professional is going to cost you more than what it will return on resale value, and that's just a fact," says Alan Derrick, president of Derrick Design and Remodeling. That's the first thing people have to understand, he says. It's not necessarily a problem. Derrick equates spending money for remodeling to spending money for a vacation. It's a quality of life decision and not an investment. Too often people try to look at it purely as an investment, he says, but it's a house and not a mutual fund.

In reality, what a well-planned, well-executed remodeling job does is increase the resale value of the home by a percentage of its cost, says Derrick. The rest of the money is an investment in quality of life and returns the intrinsic value the homeowner gets from it.

"That's the way I like people to view a remodeling," he says.

It's also important that homeowners not overlook the possibility of the do it yourself route when it comes to remodeling, says Derrick. Such a decision can significantly change the costs involved in the process, making an addition more cost-effective. In any remodeling project, he says, one-third of the cost is for materials, one-third for labor and the remaining third for all else.

"If doing it yourself," he says, "you can probably do the project for one-third of the price of hiring a professional. That's a good rule of thumb."

And with interest rates on the rise, some homeowners may now automatically lean toward remodeling, whereas not long ago it may have been an easier call to move up into a newer and larger home because buyers could get rock-bottom rates.

Bob Goff agrees that may seem like the expected rationale lately, but says there is more to consider. As co-owner of Southern Construction and Design Inc. and a member of a local Remodeler's Council, he works with both remodeling projects and new construction. In either situation, he says, rates are not a make-or-break factor.

"The big thing the rates impact is the size of what you're going to do, either the size of the house you buy or the size of your remodel job," he says.

Higher rates may mean opting for Formica instead of granite in a kitchen remodeling project. Or it may mean a homeowner puts up siding on an addition instead of brick. But once people make up their minds to do something, he says, rates are typically not a deterrent.

"So much does depend on how much you like the neighborhood, how much you like your neighbors and if your house is paid for already," Goff says. "Those are all factors people consider when deciding whether or not to move."

Then there are a few factors outside a homeowner's control that also get thrown into the mix, like city building guidelines and restrictions imposed by housing subdivisions. The homeowner may not always have the option of an addition.

In the city of Madison where Goff's company primarily works, he says there has to be a certain ratio of free yard space to the living space on the lot. He says it prevents someone from overbuilding on a lot.

"Everyplace is different," he says. "And on top of that, your subdivision may have additional standards requiring that you use a particular kind of brick or building material that may increase the cost of the remodeling project and be more than you planned or wanted to spend."

To prevent confusion, he says it's best to go to the city inspection department for those details and check with the architectural and landscaping committee within subdivisions for neighborhood restrictions.

The Builder's Association also has a free publication entitled the, "2004 Home Improvement and Remodeling Guide." It covers everything from how to live with a remodeling project and how to select a remodeler to understanding the contract and deciding between remodeling and moving.

With all the pros and cons on the table, the final decision often comes back to one thing. Some people are just in love with their house, Goff says, and no matter what it costs they will do a remodel or put on an addition.

"If you're in love with the home and where the house is, then remodeling is worth it," agrees Johnson. "It's always worth it."