

Renos & Real Estate Values – What you need to know to make upgrades pay off

It's Father's Day this weekend, and I have some pretty awesome father/son bonding time planned: we're building a deck at my new house! I can't be the only one who has dad on speed dial for home renos, right?

In the current Niagara housing market our fathers, general contractors and other home renovation experts are hot commodities right now. You may have seen my last blog about first-time homebuyers in Niagara . And unless you've been living under a rock in New Mexico, you know that Niagara's real estate market is better than, well, a rock in New Mexico. Houses are selling at a fast and furious pace, and prices are on the rise. So, for those of us lucky enough to own a home – and have a dad skilled in the ways of home renovation – we are faced with two primary options:

1. Renovate to further our own enjoyment of living in this home, hopefully increasing its value when the time comes to sell down the road;
2. Renovate to increase the resale value now, and use a greater potential profit to buy a new home.

In speaking with [Ben Ellens](#), an appraiser with [Ronald C. Ellens Appraisals Inc.](#) and a young dad who learned his trade from his father, I learned some interesting tips on renovating for a quick market value uptick:

Beauty is in the eye of the beholder, or facelifts can increase face value

One person's open-concept living space dream may be another's, "Oh, my dear! I can see the mess from every angle" nightmare. So, before you go all HGTV renegade, and tear down walls, check with a trusted realtor on values for comparably renovated homes in your neighbourhood. Ripping out walls may seem like fun at first glance, but make sure you'll get the most bang for your buck out of the effort. Most times, it's best to go with a simpler cost-effective reno like painting to enhance market value. Remember – flamingo pink may remind you of the islands, but it can make potential purchasers' eyes bleed – so consider opting for more popular neutral colours and tones. The most common home renos are kitchens, bathrooms, landscaping/decks, pools, and cosmetic

touches such as painting. But which ones are right for you to achieve the desired benefit: increasing the market value of your home now? Ben notes the renos that cost you the least but make a big visual impact by appealing to a wide homebuyer audience, are the safest bet. Large kitchen updates may seem like a great idea, but if a change of lighting fixtures, flooring, a fresh coat of paint, and new cabinet hardware will make the desired impression, go with “less is probably best”. Most homebuyers will want to tweak the purchase with their own additional renos anyway.

Quality counts

You and dad may be handy with 2x4’s and a bucket of nails, but you need to know when to call in the professionals – trades such as plumbers and electricians. Light switches that have non-functional dimmers tend to scare off buyers, wondering about other possible DIY efforts. As our HGTV friend, Mike Holmes, has often said, “Get your permits where necessary, and do quality work”.

In the current marketplace, homebuyers are looking for quality touches that fit their eye, and they are always getting better at spotting the right stuff. So, spend what you need to within your budget, and take the time to do it well, ensuring local building codes are respected – this approach will always yield a higher return on your home reno investment. Most of all, don’t “over-personalize” your renovation.

The Appraisal Institute of Canada suggests these are the home upgrades that generate the highest and lowest returns for the dollars you spend:

Highest Return

Bathroom Renovations 75-100%
Kitchen Renovations 75-100%
Interior Painting 50-100%
Exterior Painting 50-100%
Windows/Doors 50-100%

Lowest Return

Landscaping 25-50%
Interlocking 25-50%
Fencing/Paving 20-50%
Swimming Pool 10-40%
Skylights 0-25%

Note that the longer the period of time you wait to sell following renovations, the lower your return on those expenditures will likely be. If you plan to sell quickly, choose the most cost-effective improvements with the widest homebuyer appeal.

One more for the road

[Ben Ellens](#) tells us that one other important reno to consider is an income suite. More than a few television series have been crafted around this topic because it can provide an excellent opportunity for first-time homebuyers and those “moving up” to meet their mortgage payments. Income suites can be incorporated into a larger renovation where a separate entrance is available and local bylaws are followed. Renting is not for everyone, but it is an often overlooked option when considering the most effective upgrades for practical market appeal. Rental income can also provide funds for additional upgrades at a later date, building equity as you complete them. With today’s high new home and “move-up” market prices, effective renovating can be the answer to meet your current lifestyle wishes. An experienced financial advisor can help you determine if a

loan for larger renovations is feasible, and most important, properly structured for your situation. Your advisor can provide some other valuable advice, including reminding you to ensure you have some cold beverages on hand to share with dad or those supportive friends helping you. I know I'm looking forward to a beverage and BBQ with my dad to properly celebrate completion of my new deck! Doesn't he look thrilled?

