

Mad for makeovers

Despite a down market, remodeling is hot. The focus is on comfort, not resale.

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IN a booming housing market, people are quick to spend money to fix up their homes. What's surprising is that in today's depressed housing market, people are still quick to remodel -- and, in fact, are remodeling at a near-record pace.

"In an up market, people fix up the houses they want to sell and the ones they buy," said Richard Johnston, senior researcher at the Home Improvement Research Institute in Tampa, Fla. Home improvement and moving go together. But, apparently, so do home improvement and *not* moving.

"Remodeling in a down market can make a lot of sense," said Dan Fritschen, author of 2005's "Remodel or Move? Make the Right Decision." "You just have to be smart about it."

A national survey that Fritschen's Web company, RemodelEstimates .com, conducted last fall among 5,000 homeowners found that folks are planning to spend as much as ever on home improvements in 2008 but that they plan to do so more carefully. And we are talking billions.

"A year ago, high home prices were causing homeowners to feel the wealth effect, and they were remodeling with a blank-check attitude," he said. "Our survey shows that homeowners are planning to get more for their dollars by doing more of the work themselves."

In the survey, conducted last fall, 36% said that in the coming year they planned to be their own contractors -- up from 25% in 2005 -- and 64% planned to do some of the work themselves, up from 60% in 2005.

The Harvard University's Joint Center for Housing Studies noted that while home fix-up spending dropped 2.3% in 2007 over the previous year, it was still the second-highest year on record -- \$173.6 billion, compared with \$177.7 billion in 2006, according to third-quarter reports.

"That's nowhere near the drastic declines we're seeing in other sectors, such as new residential construction, starts and sales, where declines are in the double digits," said

Abbe Wills, a Joint Center researcher who tracks home improvement spending.

The National Assn. of Home Builders also reported that remodeling activity held up well for the third quarter of 2007.

"The remodeling market is not experiencing the dip in production and sales being seen in the new-home-building sector of the industry," said NAHB Remodelers Chairman Mike Nagel.

And it's not always all about the money.

Mark Yegsigian of Laguna Hills is a certified public accountant and financial planner who also has a real estate license. He describes himself as "the bean counter's bean counter." Yet when the divorced father of two girls decided to remodel a bathroom in his 3,200-square-foot, four-bedroom, three-bathroom home, money was only one factor.

To accommodate his daughters, ages 11 and 14, he spent \$18,000 to remodel the upstairs bathroom they share and update it. Now, there is a vanity area with two sinks and a sliding pocket door that opens onto a toilet and shower area. A walk-in shower replaced the old tub-shower.

"This way, one can be fixing her hair, while the other's in the shower" with the pocket door pulled closed, he said. "The privacy issues go away."

Yegsigian has no regrets about the investment, the bulk of which went to retiling the space and high-end shower fixtures.

"Here's how I look at it," he said. "Is my house going down in value? Yes. Did I just do a bathroom remodel that I won't get paid back for? Yes. But . . . the remodel brought other benefits. It makes my home more functional, and my kids are happier. It's all about balance."

Nonetheless, if you're leery about investing in your home when the market is softer than a feather bed, here are some guidelines:

Do the improvements you want -- for less. Do more of the work yourself. If you do hire a contractor, interview many before hiring one.

You can save as much as 70% on the whole job if you shop, author Fritschen said. "People who just interview one or two contractors aren't even trying to manage costs. The difference between contractors is enormous, plus you learn a little from each one about how he would approach the job."

Save money by using smart designs. For instance, don't move a load-bearing wall if you can avoid it. Try not to blow the budget by falling in love with some Italian marble after you've priced out the project. Search for good deals on high-quality materials and

fixtures. You can find high-end paned windows at a salvage yard or on www.freecycle.org -- often for 80% of what you'd spend on new. Then start with the window and build the wall to fit it.

Make low-cost, high-impact improvements. Fritschen recommends investing in inexpensive upgrades that yield great results. Upgrading baseboards and doors is a good example. "For between \$5,000 and \$7,000 you can greatly enhance the look of the average home. Throw in some fresh paint and new carpet, and the change is dramatic," he said. **Fix eyesores.** Don't neglect home maintenance. A sinkhole in the driveway, a leaky roof, damaged flooring -- all need to be repaired to protect your investment, regardless of the market.

If you sell the house, these problems will be noticed in a home inspection, and buyers probably will want you to fix them. Also, many maintenance issues just worsen and get more expensive if postponed.

You can take it with you. Separate home improvement in two categories: upgrades that will stay with the house when you move (landscaping, window treatments, built-in bookcases) and those that won't (area rugs, furniture, artwork, free-standing bookcases).

The latter cosmetic touches can greatly improve the look of your home and let you enjoy it more without the worry that you won't get your investment back.

Put your bucks into great kitchens and bathrooms. If you want to increase the value of your home, remodel the kitchen and bath, advises researcher Johnston.

Upgrades in these rooms are more likely to pay off, plus you can enjoy them in the meantime, with a few key exceptions. If you've already built a really nice kitchen and just want to change it, you won't get that money back at resale. Or if you put a Mercedes kitchen in a Hyundai neighborhood, don't expect to get that money back either. But if all the homes on your street have three bathrooms, and your home has one, adding a bath is a sure bet. Just don't exceed the norm of the neighborhood.

Another safe move, Fritschen added, is fixing a design problem. For instance, it could pay to open up a galley kitchen and add space or an island. Likewise, if you expand a tiny bathroom, you probably won't lose.

"I don't see galley kitchens or tiny baths ever coming back," he said.

Think twice before moving. Whether it makes more sense to remodel or move to get the home you want is tough to determine.

On his website, [Remodel Or Move.com](http://RemodelOrMove.com), Fritschen has a 70-question survey to help visitors decide.

Too often when people want more space or a nicer house, they think moving is the

answer, but fixing up where they live can be more economical. That's the conclusion Yegsigian arrived at seven years ago, when he did the math. He was either going to move or completely overhaul his kitchen, add an outdoor fireplace and upgrade the baseboards in his home.

He decided he liked his neighborhood and the low property taxes. He spent \$100,000 redoing his kitchen -- twice the original estimate -- and enlarging it 100 square feet, but has no regrets.

If he had, instead, bought the house he was looking at seven years ago, his property taxes would have gone from \$4,000 a year to \$11,000.

"Multiply that \$7,000 annual savings by years, and I'll have paid for both remodeling projects in less than 20 years," Yegsigian said.

And taxes aren't the only consideration. "Once you look at moving costs, selling commissions and the costs of making a new home yours with window treatments and built-ins, it often makes sense to stay put and make your house what you want," he said. "It might be different if I couldn't stand my neighbors . . . but I really like where I live. Plus, your home is your home. You're supposed to live there."