

I have spent the better part of my 30-year construction career focused on achieving high-end looks with pocket change. Even in these challenging times, my homes continue to sell because they offer more and cost less.

From a penny-pincher's perspective, a recession is nothing new. Responsible builders always have tried to balance construction cost, quality, and value. What has changed in response to this great recession runs deeper than simple economics. Many of us have been forced to rethink our lives.

Sharp economic slumps create lasting social effects. Consider the conservative generation that survived the Great Depression. Cautious attitudes about debt and spending persisted well into the early 1960s. What does this mean for you and your home

# Recovery Remodeling

20 practical improvements that will pay off—personally and financially—when the market bounces back

BY FERNANDO PAGÉS RUIZ

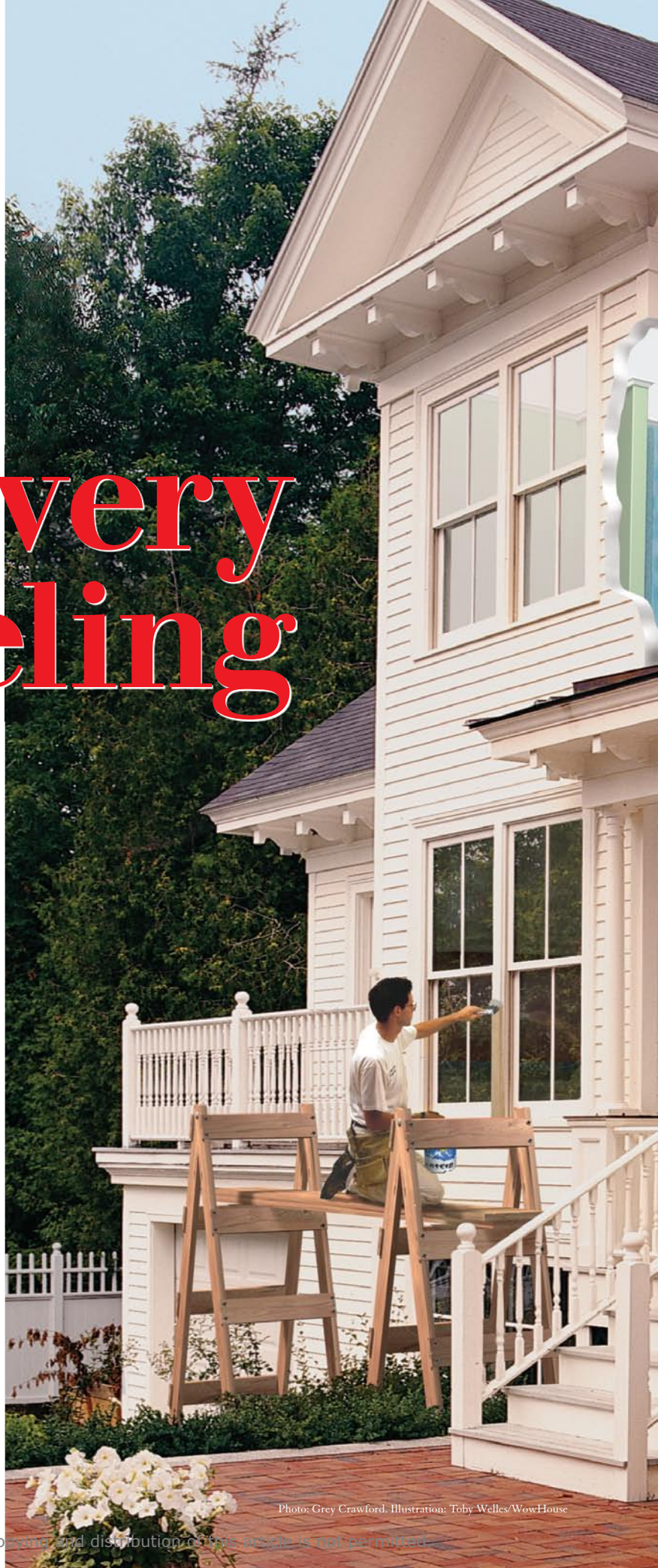
today? That depends. If you're planning to stay in your house, you may wonder what home improvements are prudent now considering the changes in the market. If you want to sell your house in these uncertain times, you're likely to be focused on improvements that will ensure a quick, profitable sale. Under both circumstances, a lot has changed.

## Avoid additions, and don't sweat labels

According to a recent National Association of Home Builders study, 95% of homes built in the next year will be smaller and less expensive. Consumer focus has shifted from ever-growing footprints and luxury amenities to smaller homes and more practical improvements that enhance comfort and energy efficiency.

In real-estate terms, this means that a family looking to buy or remodel may be more focused on the things that make each family member feel comfortable at home.

By and large, the pressure to expand has eased because the demands on a house have become more focused. This should dictate whether an addition is the right decision. I recommend never (or almost never) adding on. Remodeling an existing space





# Greenbacks for energy-smart remodeling

This year, President Obama announced a \$6 billion program to help improve the energy efficiency of American homes. The Home Star program would help to reinvigorate the remodeling industry and promises to make major cuts in our nation's energy consumption. The program requires congressional approval, however, and despite supporter optimism for its bipartisan appeal, we will have to rely on existing tax incentives until then. Beyond the federal government, look for state and local utility-company incentive programs. Here's a synopsis of the two home-energy incentives available now from the federal government and one major one on the horizon.

## AMERICAN EXISTING HOME RETROFIT TAX CREDIT (25C)

**Status:** Applicable through 2010  
**Summary:** Provides tax credits up to 30% of a qualified project's cost, or \$1500, whichever is less. Qualified projects include insulation, weather-sealing, Energy Star windows and exterior doors, and qualified air-conditioning and heating-equipment upgrades.

## WIND, SOLAR, GEOTHERMAL, AND FUEL-CELL TAX CREDIT (25D)

**Status:** Applicable through 2016  
**Summary:** Provides 30% of a project's cost, but with no cap. Unfortunately, you have to discount any state or utility incentives from the total project cost. If your solar panels cost \$10,000 and your state offers a \$2500 subsidy for the project, the federal government will reimburse you only 30% of the balance, or \$2250.

## HOMESTAR ENERGY-EFFICIENCY RETROFIT PROGRAM

**Status:** Pending federal legislation  
**Summary:** Building on the Department of Energy's successful Energy Star model, the Home Star program would offer two tracks toward energy incentives: silver and gold. The first track, silver, would be a prescriptive option with a menu of upgrades similar to those now available for existing tax credits. You have to select at least three items off the menu, and the government would invest \$1000 in each, for a total subsidy of \$3000.

The gold track is based on improved overall energy performance. Based on an audit of existing conditions, the program offers no prescriptions, but rather requires a minimum 20% reduction in energy consumption. Achieve the minimum level, and the government would invest \$3000 in your project. For every 5% improvement beyond minimum, the feds kick in another \$1000, with an \$8000 cap.

## If you plan to stay

**My top 10 picks** for the best use of your remodeling dollars when planning to stay in a house five years or longer will not incite the wolfish “wow” required to move a house off the market quickly, but rather the soothing “aah” of lower cost and creature comfort.



**1** Energy repairs and improvements can range from simple air-sealing to a full insulation and mechanical retrofit. The first step, however, is to invite a building-performance analyst to evaluate your home. The two largest organizations that train and certify energy auditors are the Residential Energy Services Network ([www.natresnet.org](http://www.natresnet.org)) and the Building Performance Institute ([www.bpi.org](http://www.bpi.org)). Both are good, but I prefer BPI because their inspectors specialize in aspects of building performance that go beyond energy considerations.

## Upgrade your entryway



**2** Too often, we spend money on impressing others instead of making our lives easier. Upgrade the entry you use most: the side or garage door. An updated everyday entrance, a mudroom should include a welcoming, functional door with glass if the fire code allows (garage doors require a fire rating), as well as a place inside to drop off groceries, leave notes for family members, hang a coat, stash boots, and comfortably transition into and out of the house.

is always more economical than adding on, and I have rarely run into situations where space constraints could not be addressed by moving walls around.

For example, by eliminating some bedrooms, reclaimed space may allow for larger entertaining, cooking, and living areas without increasing a house's overall footprint. Steal floor space from a den or dining room to create a bigger multipurpose living area, or take a chunk from an adjacent bedroom closet to create a more comfortable master suite. Don't worry about the number of rooms, or even labeling the floor plan. Nowadays, the only rooms that count are the bedroom, a bath, and a great room. Where's the kitchen, you ask? In the great room, accord-

ing to home-design and building consultant Lita Dirks of Lita Dirks & Co.

“Today's buyers want a great room for kitchen, dining, library, office, living room, den, hobby, and then a bedroom and bath. A small odd room is always a good thing; it's one person's nursery, another's meditation room, another's office, and a guest room,” says Dirks.

In other words, focus on making your home better along existing lines and working with what you've got.

### If you stay, work inside out

Standard & Poor's statistics show that home prices appreciated in value over the decade spanning 1996-2006 (often at double-digit

rates), peaked in 2006, reached record rates of decline in early 2009, and have shown only modest recovery since.

As a result, a lot of us are looking to improve an existing home rather than buy a new one—the architectural equivalent of “Love the one you're with.”

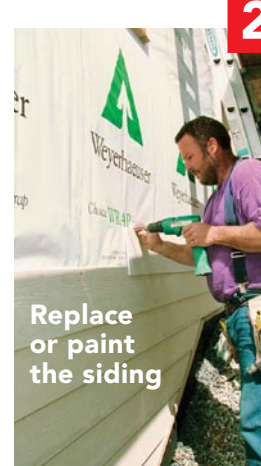
This means you can throw off, to some extent, the design shackles of resale. For example, if your household consists of you and your spouse—kids no longer living at home—consider turning your existing three-bedroom house into a pleasant single bedroom. By using the “extra” space to create a more comfortable master suite, a home office/guest room, and a large great room with plenty of space for entertaining, your

## If you plan to sell

**The first thing buyers look for is curb appeal**, then a house that's structurally and functionally sound. Buyers are disinclined to take on big repairs. Even with a beautifully remodeled kitchen, prospective buyers will consider your house a risk if the roof looks like it will need replacement soon or if the crawlspace is dank and mildewed.

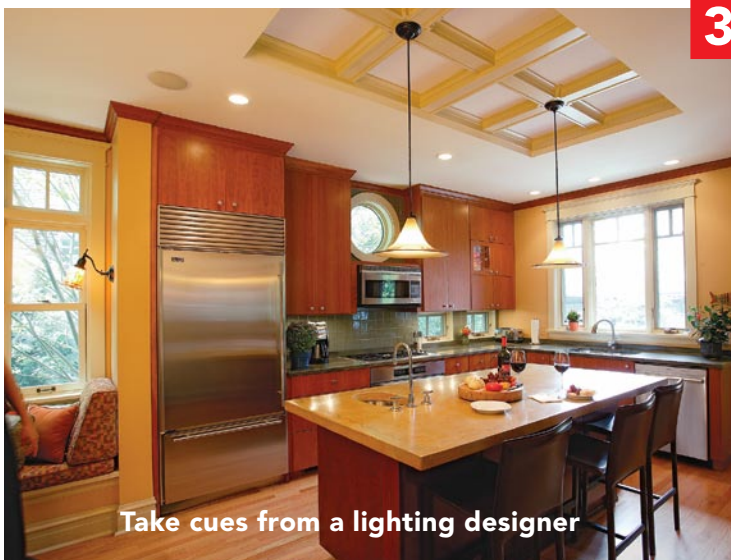


**1** This is the point where prospective buyers make first contact. Make sure the threshold is clean, the door panel freshly painted, and the hinges not squeaky. If the door does not look good, replace it. Among midrange projects, steel entry-door replacements yield over 100% return on investment.



**2** New siding can yield the best ROI of all home-improvement options, about 80%. Although this still does not translate into a profit, curb appeal can result in a quicker sale, and one that's closer to your asking price.



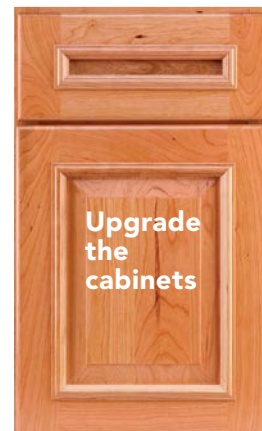


Take cues from a lighting designer

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Most of us work during the day and enjoy our houses mostly after dark. Upgrading lights and changing bulbs yield a quick uplift to your interior while saving energy.

Use CFLs only where lights will remain on for at least 15 minutes, such as exterior fixtures, kitchens, and bedrooms. Use halogen bulbs where you toggle the lights on and off more frequently, such as hallways, stairs, and pantries. Halogen bulbs also work well on dimmers, which makes them ideal for dining-room fixtures, the master bedroom, and family room. For more on lighting design, visit [FineHomebuilding.com](http://FineHomebuilding.com).



Upgrade the cabinets

New cabinets make up about a third of the cost of a typical kitchen renovation, so it pays to explore alternatives to replacement. The options include painting, refacing, and accessorizing. I like to combine all three. Paint the boxes, replace the door and drawer fronts and pulls, then refurbish the interiors with an array of organizers, shelf drawers, and rollout bins.

home takes on a whole new feeling. Despite what a real-estate agent might say, do it.

After all, the real-estate agent doesn't have a crystal ball. Nobody does. Conventional wisdom says dining rooms are out, but you may find yourself having family and friends over for dinner more often these days. Your activity is a reflection of the times. Dining rooms are coming back as many of us now spend more time eating at home.

To paraphrase John Lennon, life is what happens while you wait for your home's value to recover. You may be waiting a while, so create a dedicated space for hobbies.

That said, there are a few things worth noting, just in case you do decide to sell in a few years. The improvements with the highest

return on investment (and in remodeling terms, this means with the smallest loss) are all in the category of small upgrades.

*Remodeling* magazine's vaunted Cost vs. Value Report 2009-10, the latest edition of an annual survey of improvement costs vs. payback at time of sale, focuses on the economics and not the lofty ideals of remodeling investments. On a national average, the best remodeling efforts offer an 80% return on investment (ROI), including items such as a new entry door (the exception, with a 130% return on investment), a wood-deck addition (80.6% ROI), new vinyl siding (80% ROI), and an attic-room conversion (83% ROI).

A cosmetic kitchen upgrade (78% ROI) or master-bath improvement (71% ROI)

can still make your home more desirable, and hence support a higher sale price, even if the project does not actually increase your house's value.

Given the poor financial performance of many home improvements, make these loss-leader improvements, such as kitchen and bath remodels, now when you can derive some emotional income from the upgrades. This is also the time to focus on the interior, because when remodeling for sale, it's not the interior that makes a first impression.

Although it may seem irresponsible not to keep resale in focus when remodeling, you can take comfort knowing that whatever your needs and desires are, there are many like you. Thousands of tract houses that

3

Update the existing bath



A bathroom remodel may not be the best investment when selling a house, but in consideration of the buyer, picture yourself checking into a hotel room. You don't really want the bathroom to look like someone else has used it. Replace corroded fixtures, install a new toilet seat, and remove mildew. Fresh caulk and paint, and clean, sparkling faucets and fixtures will make a buyer more comfortable with the prospect of moving in.

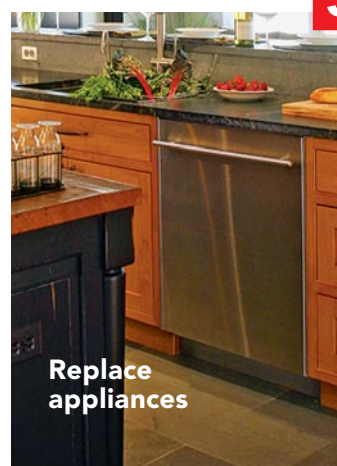
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Create custom cabinets

Give cabinets a new look by refinishing them with paint or stain, or use a glazing technique. The glazed look darkens the kerfs along door panels and molding contours, giving the cabinets a richer, albeit antiqued, aesthetic. Don't gasp; they use markers in the factory, too.

5



Replace appliances

Just as buyers prefer clean, like-new bathroom fixtures, they also like new appliances. At a minimum, change the pans on an electric stovetop, clean the oven, and consider having all the kitchen appliances refinished. Otherwise, a simple suite of clearance-sale stainless-steel or black appliances may do more for your kitchen than new countertops.

### 5 Refinish countertops and appliances

Refinishing companies such as Miracle Method ([www.miraclemethod.com](http://www.miraclemethod.com)) specialize in resurfacing countertops. Similar companies offer services to refinish your appliances with electrostatic paint. The finish is factory tough and will make your appliances, if they work well, indistinguishable from new products.



### 6

Consider function over form. If you're bumping into each other before breakfast, consider reconfiguring the bathroom to include double sinks and a privacy door between the lavatory and the tub/lavrine area.

To update a bath, use some of the techniques described for kitchen cabinets and counters. Tub and shower options include ceramic-tile refinishing and thin stone veneers that apply directly over sound surfaces, such as old tile.

### 7



Millwork, or trim, does not have to feature high-cost exotic woods like cherry, or laborious improvements like a fully paneled mahogany library. Paint-grade crown molding, wainscoting, and casing upgrades can transform a room for relatively little cost and time.

come close to meeting the needs of any family have made generic homes less attractive.

Eco-interior designer Patricia Gaylor says her remodeling recommendations always depend on her clients' needs, never on resale. "If my clients are older, they usually like to add things that give them comfort. If they are younger with young children, it's all about storage, organization, and durability," says Gaylor. In other words, individual needs outweigh resale strategies.

Consider your real needs carefully. You may not need a larger kitchen, but instead a kitchen with a better design. Likewise, closet organizers help you to accommodate clothes without adding storage space.

Deciding what you want takes a little honesty, says Dirks: "When your desk is piled

high with junk, it's an indication that you don't need the desk, but you need more storage and shelves." Great remodeling ideas come when you dig deep into your real needs. "People want a desk because they really want a place to call their own corner," says Dirks. "Ask, 'What would my corner be?'" It probably is not a desk. Maybe space for a chaise to relax, a bow window seat with a view, or a meditation room. After all, with a laptop and wireless, you probably don't need that desk anymore—or the home office, for that matter. Put the square footage to better use.

### Energy efficiency is on the wish list

Baby boomers generally will not spend more on ecologically responsible materials, such as post-consumer recycled products and

low-impact lumber. In fact, research shows that buyers over 55 would pay 25% less than average buyers for environmentally friendly amenities. However, they are willing to consider energy-efficiency upgrades. Just the opposite is true of 20- and 30-somethings who grew up with Earth Day and who consider eco-purchasing to be good manners.

Perhaps even more than responsible eco-citizenship, the trend toward green remodeling is being fueled by the government (see "Greenbacks for energy-smart remodeling," p. 49). It's especially wise to tackle energy upgrades now because these financial incentives may not be available later.

A 2009 survey by the American Institute of Architects (AIA) suggests that more and more consumers are putting energy efficiency

## If you plan to sell continued

### Use mirrors to create a sense of space



### 6

A mirrored wall or set of closet doors can enlarge the feeling of a room and throw more light into an otherwise dim environment. Natural light is essential in creating a home that feels welcoming and comfortable.

### Remove a few kitchen cabinets



### 7

Creating a little breathing room by reducing cabinet clutter can improve the feel of your kitchen, even if it sacrifices storage. When you're after first impressions, how the kitchen feels is more important than how it functions. A creative way to do this is by replacing some upper cabinets with open shelving. Remember to keep them uncluttered.





### Install better flooring

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The flooring trend has moved decidedly away from carpet to hard surfaces. Cork, FSC-certified wood, plastic laminate, and linoleum are now more popular flooring options. They also wear better, so if you decide to upgrade your floors, you not only will enjoy the marked change in your home's appearance, but you'll also have a long-lasting improvement sure to provide a sale-clinching wow factor even five or 10 years from now. Choose classic floor styles.



### Siding upgrades

9

Although exterior improvements are best done right before a sale, there are some exterior improvements worth considering because they provide long-term practical benefits and immediate pleasure.

From a cost and maintenance standpoint, don't overlook vinyl and fiber-cement products. Vinyl siding is now available in countless styles, including clapboards, shakes, and even scallops.

### 10 Expand outdoor living

If you need more space for entertaining, the one place where it's relatively inexpensive to add square footage is your deck or patio. It's also one of the better remodeling investments, with an 80% payback for a wood deck, vs. most room additions, which yield about 60% ROI (a tough sell on the bond market). Decks also provide the kind of homebody moments of happiness that make you want to keep your house. The average cost of a deck addition—even an extravagant one—is less than \$15,000. A room addition starts at around \$50,000.

at the top of their priority list. Two-thirds of the architects queried said energy efficiency tops the list of features homeowners are requesting when remodeling, including lackluster highlights such as spray-foam insulation and extra attic insulation.

The AIA also found a sharp decline in demand for high-end kitchen and bath amenities amid concerns over cost and eventual resale values. The old real-estate clichés, such as gourmet kitchens and private spas, have dropped in value compared to better insulation and tighter windows. Granite countertops are out, but efficient appliances are in.

### Buyers are looking for the three Rs

When selling, it pays to think like a buyer. The first thing buyers see and on which they

will base their first buying decision—to take a closer look—is the exterior of a house. Investments in curb appeal typically have a higher payback than interior upgrades.

Next, a buyer notices what I call the three Rs. Does your house need extensive *repairs*, can the buyer customize it with just a little *refurbishing*, or will it require extensive and potentially expensive *remodeling*?

According to the real-estate agents that I've talked to, buyers may be willing to paint, change carpets, and finish unfinished portions of a house, but they don't want to tackle backbreaking jobs like pruning overgrown shrubs, scraping peeling exterior paint, or reroofing. They don't want to inherit chronic problems, such as a leaky basement, so leave the fun stuff alone and take care of the ugly,

dirty chores that nobody wants to do now. Focus your efforts and expenses on deferred maintenance and the exterior. Make sure all mechanical and electrical systems work. Make sure your house appears as though it has been well taken care of.

Should you decide a little interior remodeling is appropriate, Gaylor recommends using basic items and (in this case) to keep it generic. "Clean and uncluttered, that's what buyers want," she says. When you're putting your house on the market, now is not the time to make personal style statements. □

Fernando Pagés Ruiz is the author of *Affordable Remodel* (The Taunton Press, 2007). Photos by the author, except where noted.



### Landscape the yard

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Take the time to mow the lawn, prune bushes and trees, mulch flower beds, and, if the weather allows, throw in some annual plantings. While I don't recommend spending thousands of dollars on your yard, I do encourage you to make it as appealing and as neat as possible. Much of that can be accomplished with a little bit of sweat equity.



9

### Redeck the deck

Another high return-on-investment project is new exterior decking. Outdoor-entertainment areas are one of those things everyone shopping for a house dreams about; otherwise they would be shopping for a condo. Exterior remodeling, especially something like upgrading an existing deck surface, usually costs less than almost any type of remodeling you can do inside.

10

### Install laminate flooring

Buyers want solid flooring, not carpet. Plastic-laminate flooring looks better now than it ever did and can dramatically update the look of your entry, kitchen, and living areas. Also, it costs a fraction of what true hardwood does. Snap-and-lock flooring technology makes for a fast installation. And use one floor throughout; small spaces feel bigger this way.