

# Renovating your home an attractive alternative

Many homeowners, for one reason or another, decide at some point in their lives that they want to move. Some want to relocate to be closer to their place of employment or closer to better schools for their children; others want to move because they need a larger place to accommodate their growing families. Others simply want a change in scenery.

However, if you like the neighborhood in which you live and the reasons for moving are not external (i.e. to be closer to better schools), then renovating or adding to your existing home can become an attractive alternative.

The advantages of renovating or adding to your existing home are that you don't have to buy land at today's high prices; you can remain in the same neighborhood which you like; and you can add more space or upgrade where you want to and how you want to, assuming your local zoning bylaws permit you to do so.

The key is careful planning. Remember, renovation does not necessarily spell profit when you decide to sell your home. A lot depends on the house, the neighborhood, whether you do the work yourself or hire a contractor, and how much the renovation will cost in relation to the value of the home.

Kitchens and bathrooms are generally 'safe' areas to renovate as they tend to retain their value when the house is sold. If you spend, say, \$3,000 to renovate a deteriorating kitchen, you will likely return at least that much on the sales price.

However, if you put \$15,000 into the same kitchen, your chances are slim of seeing all of that money back.

An example of an 'unsafe' addition is a swimming pool: the new owner may not want a pool and may just fill in the hole.

And upgrading doesn't necessarily mean you will make a profit when the time comes to sell your home. For example, if your carpet is badly worn, you may have to replace it in order to get the full market value of the house.

Similarly, you will not get your money back if you overbuild for your neighborhood. You should tour your neighborhood before you begin adding on that extra bedroom or den to see how many other owners in the area have added on rooms and, more important, whether or not any of those homes have sold recently and for what price.

If your renovation is the most expensive in the neighborhood, you may not be able to recoup its cost when you sell because the value of the home will be tied to the value of the area in which it is located. You also don't want to make your home so distinctive from the other homes in your neighborhood that it doesn't appeal to potential buyers, thus depreciating the value of your home.

Furthermore, if your house is an old-timer in a neighborhood being built up with new, larger houses, it would not be wise to spend \$15,000 to add an extra bathroom if you plan to sell the house within a few years. The new owner will probably tear the house down and build a new one.

As you can see, it is vital that you plan your renovation projects carefully and set a realistic budget. Whether you do the work yourself or hire a contractor will also make a huge difference to your pocket-book. Generally speaking, if you decide to add to your house and do the work yourself, you have a good chance of getting back your money and in making a profit.

To illustrate the high cost of hiring labor: if you hire someone to

add a \$15,000 room to your house, which you estimate to be worth \$100,000, and sell the house for \$125,000, you may think that you made a profit of \$10,000. But the real question is how much would your house have been worth without the addition? If the house would have been worth \$115,000 without the addition, then you actually lost \$5,000.

A real estate agent in your area will be glad to assess the current market value of your home and advise you on the effect renovations will have on your home's future value. He or she can also make approximate cost comparisons between your current home, your renovated home and an alternative home.

If you decide to hire a contractor and do end up overbuilding, you can still come out ahead if your only other option was to move to a new home. In this case, hiring someone may be cheaper than the payments on a new home. If you feel that you will be happy with the additions to your existing home and plan to live there on a long-term basis, then hiring a contractor may be your choice.

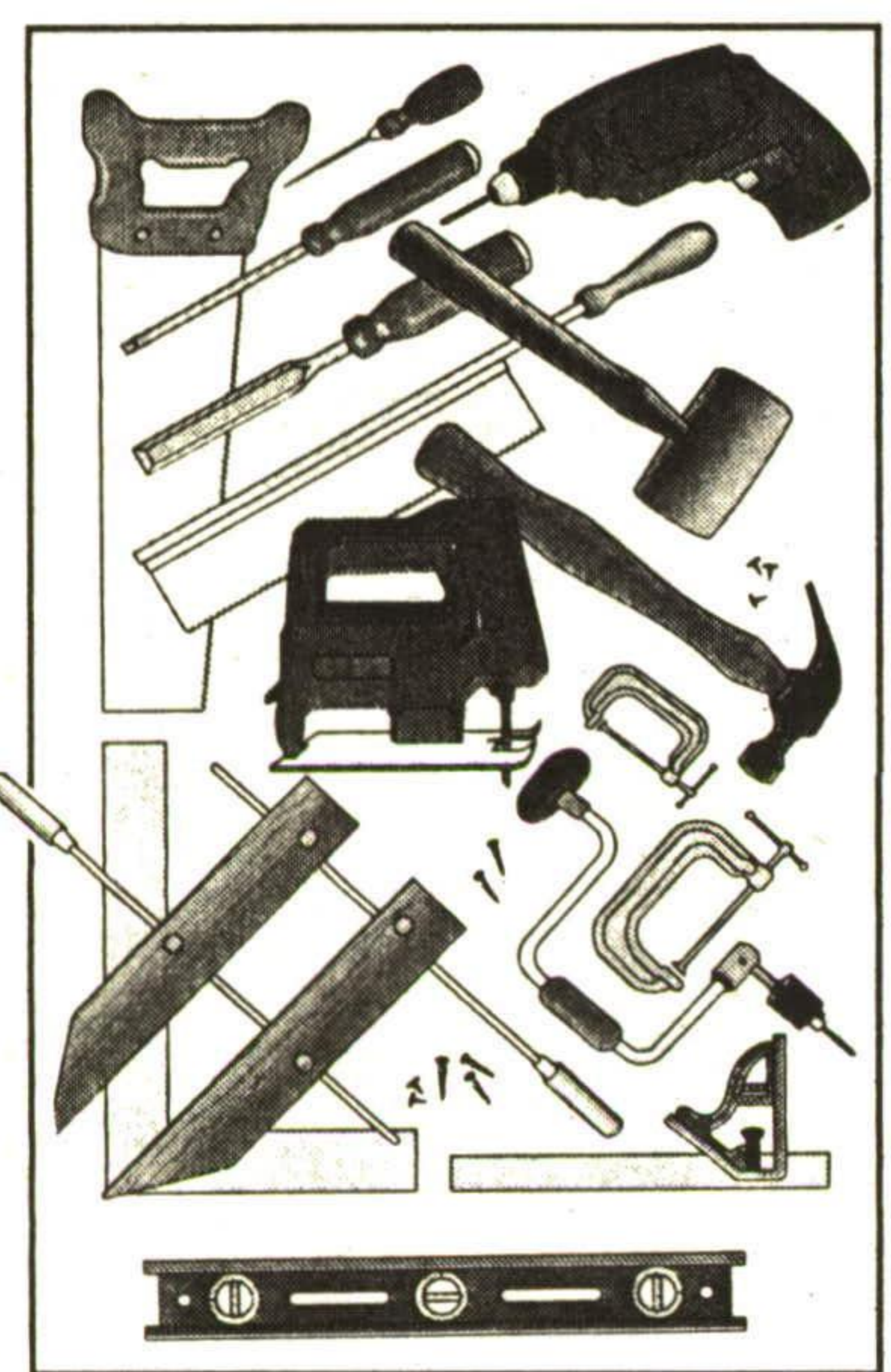
Whatever work you decide to do or have done to your home, first find out if your proposed changes comply with local zoning bylaws and building standards. Keep in mind that most renovation projects require a permit and the process to obtain one can be tedious depending on the proposed project. Discuss your ideas with various contractors and architects to get estimates on materials and labor costs and to find out how long construction will take.

Finally, if you have an extensive renovation or enlargement in mind, the project may turn out to be difficult and costly. In this case, moving to a different home may be the better alternative for you. The decision should be based on your requirements and budget.

Overall, it is important to ask yourself why you want to move and to weigh your options carefully. As with any project involving a substantial amount of money, you should have a clear understanding of your goals and a well-thought-out plan to reach them. Your decision should meet your immediate and long-term needs, as well as secure your future investment.

Here are some tips to keep in mind:

- Assess the size of your house: is it too big or too small? Are you planning to have a larger family? Will your kids be moving out in the near future?
- Set a realistic budget and assess whether the project will increase the market value of your house.
- Compare costs and benefits of renovating or adding on with those of moving to another house.
- Consider if the project will suit your neighborhood. Are the other homes appreciating in value? Is your neighborhood deteriorating?
- Consult a knowledgeable realtor for his or her opinion.
- Inquire about whether your house can physically accommodate such renovations; what city or district building permits are required; and whether your addition will block any of your neighbors' views.
- Don't forget to include the cost of updating plumbing and electrical systems when working out a budget.
- Consider if your family will be able to put up with the hammering, dust and dirt during the renovation period, which will likely be several months.

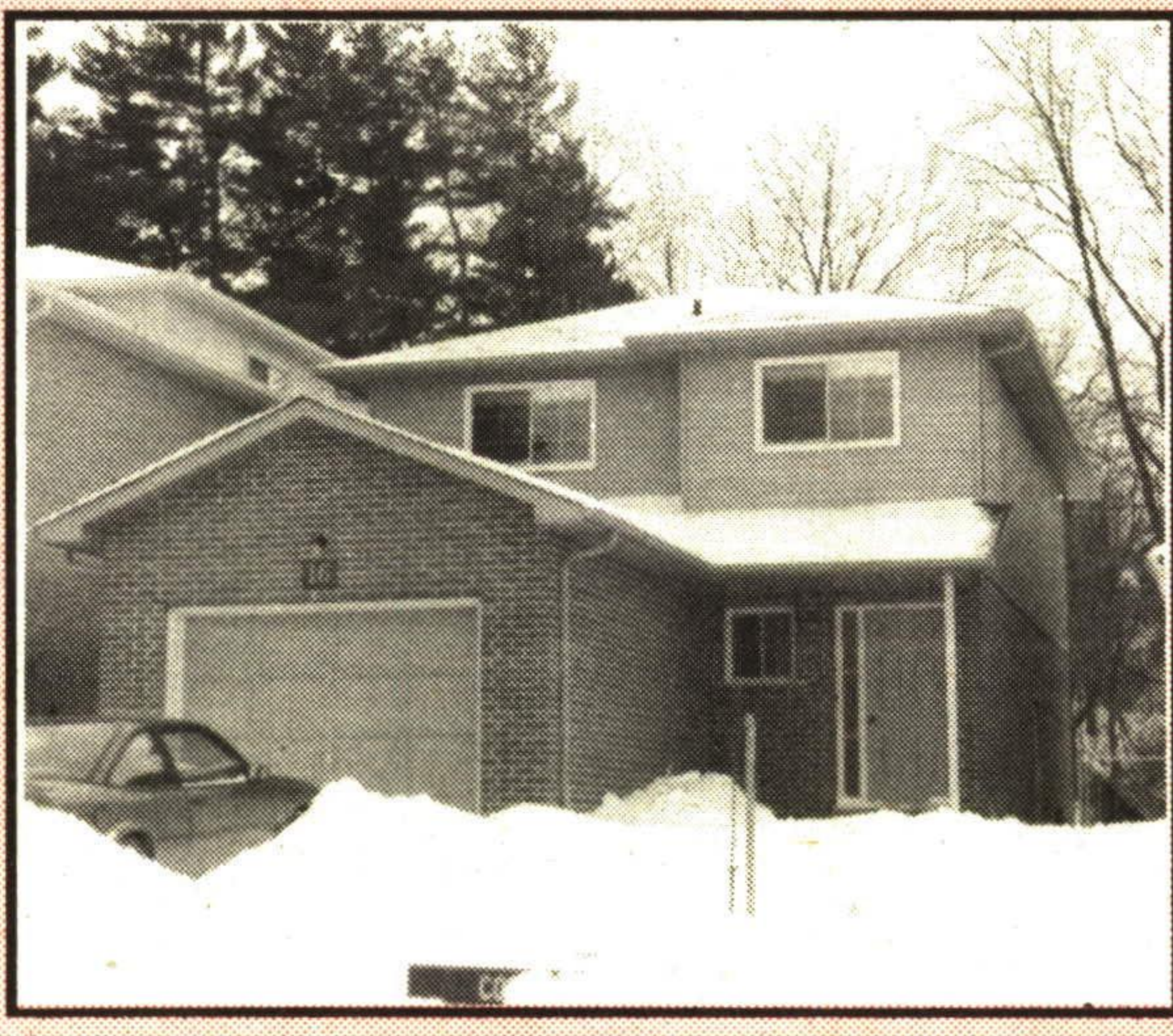


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