

Home Finance

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Top Five Home Improvements

These projects are proven winners, but be in the know before you get started

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Interest Rate:

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Which home improvements give you the most bang for your buck, come selling time? The answer has to do with the term "ROI," or "Return on Investment," in other words, what you will get out of what you put in. ROI is important because you want to recoup at least the same amount of money you put into your home when you sell it, or as close as possible. But it's not a simple equation to work out. To maximize your payoff, read on.

The Five Best Home Improvements

According to Remodeling Online's 2000-2001 survey of 300 real estate professionals in 60 cities across the country, the home improvement with the highest return nationwide is a minor kitchen remodel. Other top projects include a second-story addition, a bathroom remodel, a bathroom addition, a family room addition, a master suite addition and a major kitchen remodel. See the box for specifics, but know these are nationally averaged prices and percentages.

2000-2001 Cost vs. Value Report Top Five Best Returns*

Home Improvement	Job Cost	Resale Value	Cost Recouped
Minor Kitchen Remodel	\$14,847	\$13,138	88%
Second-Story Addition	\$67,744	\$56,770	83%
Bathroom Remodel	\$9,748	\$7,952	81%
Bathroom Addition	\$14,216	\$11,704	81%
Family Room Addition	\$47,764	\$36,170	75%
Master Suite Addition	\$63,736	\$45,610	71%
Major Kitchen Remodel**	\$30,391	\$21,850	71%

Source: Remodeling Online/Hanley-Wood *Data represent national averages. **Reflects 1999 data.

Watch Out for "Over-Improving"

Before you start tackling that high-yield improvement, know that there's a chance you could "over-improve" your home. That might sound crazy, but it happens most

Calculate purchasing power

Gross Income:

\$

Frequency:

Monthly Debt:

\$

Downpayment:

\$

Interest Rate:

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example, if you own a \$125,000 home in a neighborhood full of three-bedroom, two-bath homes, and you decide to add on another garage or another floor, you might never recoup the cost of that work. Why? If the project costs you from \$25,000 on up, then you'd have to sell your home for at least \$150,000 or more just to break even. Are like homes in your neighborhood selling for that? If not, you're out of luck, because your expensively remodeled home might not fit in with the value of other homes in the surrounding area. Thus it may not be as valuable to potential buyers, since house prices are often ruled by location, and who's to say they might not inherit your quandary when it's time for them to sell?

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Drop That Toolbox

You might be willing and able to do just about any home improvement project around your house, but before you tackle any major work, consider two things. First, ask yourself if you can do the job right. Saving money is one thing, but are you knowledgeable enough about the task at hand so you don't encounter major (and costly) problems?

Second—and perhaps more importantly—put yourself in the shoes of a potential buyer, even if you're not likely to sell for years. You might be proud of all your home improvements, but the homebuyer may ask lots of questions about the work. Like it or not, there is an inherent skepticism about homegrown handymen, no matter your talents. Professionally done work, on the other hand, tends to have a certain "seal of approval" that assures the job was done properly. Plus, most pros guarantee their work for an extended time, which gives buyers even more confidence.

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winters are notoriously long and cold, an outdoor deck might not have the same value as an extra or larger garage.

Costs are also substantially different from region to region and city to city. Consider this: A major kitchen remodel in 1999 in Denver cost an average of \$30,468 and recouped 53% of the cost on the home's sale. But a major kitchen remodel in Cleveland during the same time cost an average of \$33,888 and only recouped 29% of the cost on a sale. This is why, especially if you know you'll be selling your home within a year or two, it pays to consult a REALTOR® before you pick up a hammer.