

Renovate or Rebuild?



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things to consider

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and additions are popular in desirable locations where sizable vacant land at affordable prices is scarce and in sought-after areas where over capitalizing isn't likely. If you're adding on, expect higher annual tax bills.

Project Scale. If renovating more than 40 percent of the original structure, it's most likely cheaper to demolish and build new. If keeping around 70 percent, it's cheaper

BEFORE



When current living situation requirements change, a common homeowner conundrum is whether to renovate their existing home or tear down and rebuild the home of their dreams from the ground up. These are two very different options in terms of cost and impact on lifestyle.

The minimum requirement for a renovation-worthy home is a structurally sound house with quality craftsmanship and a properly maintained exterior (foundation, roof, siding or brick, etc.). If it meets these criteria, you'll need to decide if you desire to maintain the original character and history of the home, and whether there is a strong emotional attachment to the house. Last, consider how long you intend to reside there. If you've answered yes

to the previous questions and expect to live in the house for a decade or more, it may be in your best interest to remodel instead of rebuilding. Here are some additional factors to consider:

Appearance. For resale purposes, ensure additions or updates would not be obvious when compared to the original structure and the rest of the neighborhood. Also consider the size of the lot in relation to the desired addition. You don't want a huge house on a small lot.

Condition of Existing Structure, Materials & Systems. You may need to update or replace existing electrical and mechanical systems in old homes. Old foundations can pose challenges to additions and restrict possibilities. If

you're demolishing and building a new house on the same site, you may be required to replace the septic system or drill a new well.

Site Constraints/Planning/Zoning. Does the local municipality allow you to tear down and rebuild? New construction permits are usually pricier than renovations permits, however you may be forced to replace or fix systems to meet today's codes to secure renovations permits or qualify for insurance.

Location, Location, Location! Knockdowns, renovations,

to renovate. However, costs can accrue rapidly if renovations include the kitchen, bath, and master. If adding on, price per square foot will typically be higher than a new home. Keep in mind that building above is less expensive than building outward.

Initial Costs. According to MSN Money, building a new home is typically more expensive than remodeling a comparable home. However, new home mortgages often have lower payments and interest rates, so many renovation clients get a temporary construction loan and then upon



completion, refinance the new value of the entire home for attractive terms.

Time & Convenience. When renovating, there may be long stretches without the bathroom, kitchen, electricity, water, heating, or air conditioning. Families sometimes store belongings and temporarily move elsewhere. Tearing down and rebuilding will also require interim housing. Count all these expenses into your cost analysis.

Recouping Investment. The return on your investment

depends on the scope of your project, duration of residency, and housing price trends in the specific neighborhood. Usually a room addition increases the value of your home because it adds square footage. Upgrading the interior while maintaining existing square footage increases the value slightly, and kitchen and bathroom renovations are always important to keep a house desirable. You may also gain value by converting unheated areas into heated space (like a garage). Never overbuild your home—being the neighborhood's most or least expensive home makes resale difficult.

The bottom line is whether you rebuild or renovate, either project will deliver its own set of benefits as well as hassles. More and more, people are deciding to renovate even when they're unsure they'll recoup their investment. They've decided they want to live in their home in the community they love as long as possible. Having the home they want now is more important than the long-term resale value. Ultimately if you renovate, your project might end up costing a tad more, but you'll have a unique home that fully reflects and resonates with you and makes you personally very happy.

R&A



Renovation projects and average potential payback.

- Kitchen renovation 72% - sometimes as high as 200%
- Bathroom renovation 68%
- Main floor family room addition 51%
- Fireplace addition 50%
- Basement renovation 49%

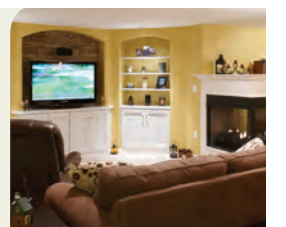
Source: JustShelter Real Estate Services Inc.



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