

Cost vs. Value

Report 2011-12

Three years of dropping construction costs have not been enough to counter the steeper drop in house prices. But the rate of decline is slowing, and some markets are showing signs of a steady if slow recovery.

A SLUGGISH HOUSING MARKET continues to push down remodeling return on investment. Since its peak in 2005 at 86.7%, the overall average cost-value ratio has dropped 29 points to 57.7% (see "Cost vs. Value 9-Year Trend," page 54).

High remodeling construction costs are only partly responsible. Project costs continue to drop, although more slowly: costs decreased 6.9% in 2009, 2.3% in 2010, and just 1.9% this year. Decreasing cost usually results in a higher cost-value ratio, except when resale value decreases even faster. And that is the case once

again this year, when continued volatility in housing prices has pushed average project resale values down 6.0%. Though the rate of change here is also slowing, the decrease in resale value is more than enough to counter the positive effect of lower costs.

Some markets are performing better than others. The average cost-value ratio for cities in the Pacific region is 71.3%, due largely to higher resale values (see "Regional Comparison," page 54). The West South Central and the South Atlantic regions are also well-above average. High costs and low resale values keep remod-

eling return on investment below average in the Middle Atlantic and East North Central regions, while the West North Central cities rank lowest at 49.5%.

Even in markets where remodeling activity is showing signs of recovery, homeowners have given remodelers smaller budgets to work with. Elsewhere, existing home sales and cash-out mortgage refinances, traditional stimulants to remodeling activity, have not yet rebounded, and homeowner uncertainty about job security, home equity, and the overall economy have stifled remodeling investment.

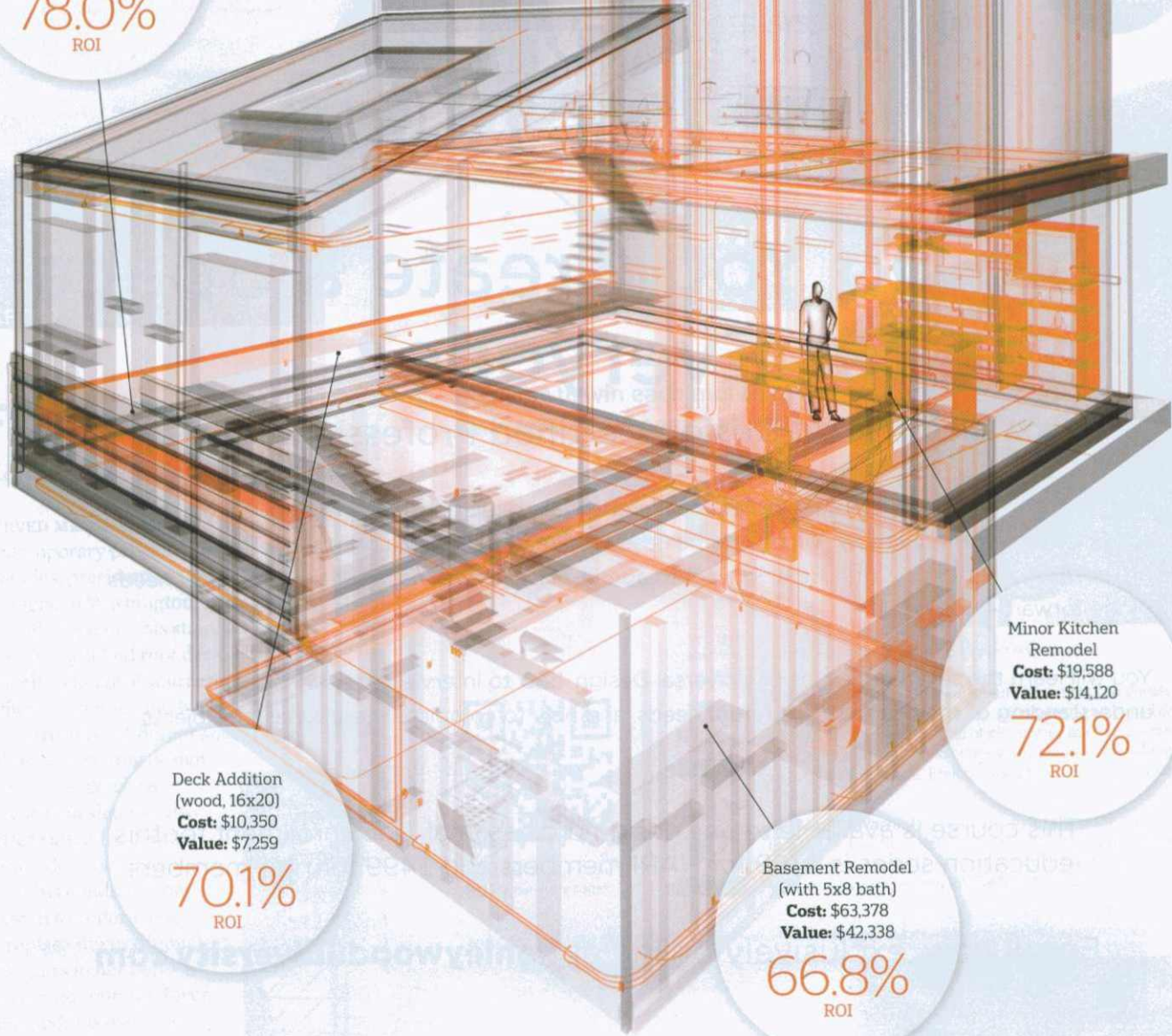
| BY SAL ALFANO |

Attic
Bedroom Remodel
(with 5x7 bath)
Cost: \$50,148
Value: \$36,346

72.5%
ROI

Fiber-Cement
Siding Replacement
(1,250 sq. ft.)
Cost: \$13,461
Value: \$10,493

78.0%
ROI



Deck Addition
(wood, 16x20)
Cost: \$10,350
Value: \$7,259

70.1%
ROI

Minor Kitchen
Remodel
Cost: \$19,588
Value: \$14,120

72.1%
ROI

Basement Remodel
(with 5x8 bath)
Cost: \$63,378
Value: \$42,338

66.8%
ROI

THE BRIGHT SIDE

That said, there is evidence that the future for remodeling is bright. Hanley Wood's recent "Housing 360" research on consumer attitudes toward housing shows that 42% of homeowners believe it is a good time to remodel. (Hanley Wood publishes REMODELING magazine.) That number increases to 56% when household income is \$100,000-plus, and it is 54% when home value is more than \$500,000.

The research also suggests that tight credit is not a major impediment — 80% of respondents say they pay for remodeling with cash

CostvsValue.com

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replacement projects take precedence with homeowners. Cost vs. Value data confirm this once again this year, as replacement projects continue to perform better in resale value than other types of remodeling projects (see "Replacement vs. Remodeling," on page 54). Seven of the 10 top-ranked projects are siding-, window-, or door-replacement projects and their cost-value ratio is an above-average 71.6%.

The high value of replacements is partly due to their relatively low cost — with the exception of the roofing projects, all replacement projects are *continued on page 54*

savings. And it confirms that 60% of homeowners 50 and older intend to stay in their homes through retirement, which will create demand for aging-in-place remodeling.

REPLACEMENTS STILL ON TOP

The Housing 360 research also shows that maintenance, repair, and

remodeling COST vs. VALUE REPORT 2011-12

PROJECT COST	OVERALL RANK ↓	National Averages			New England			Middle Atlantic			South Atlantic			
		Job Cost	Value at Sale	Cost Recouped	Job Cost	Value at Sale	Cost Recouped	Job Cost	Value at Sale	Cost Recouped	Job Cost	Value at Sale	Cost Recouped	
<\$5,000	Entry Door Replacement (steel)	2	\$1,238	\$903	73.0%	\$1,281	\$ 943	73.6%	\$1,293	\$867	67.1%	\$1,125	\$872	77.5%
	Garage Door Replacement	5	1,512	1,087	71.9%	1,545	1,151	74.5%	1,566	1,025	65.5%	1,414	1,112	78.6%
	Garage Door Replacement	6	2,994	2,129	71.1%	3,003	2,355	78.4%	3,019	2,015	66.8%	2,957	2,185	73.9%
	Entry Door Replacement (fiberglass)	25	3,536	1,990	56.3%	3,620	1,996	55.1%	3,644	1,976	54.2%	3,322	1,973	59.4%
\$5,000 TO \$25,000	Siding Replacement (fiber-cement)	1	13,461	10,493	78.0%	13,529	10,388	76.8%	13,630	9,671	71.0%	13,208	11,852	89.7%
	Minor Kitchen Remodel	4	19,588	14,120	72.1%	19,885	14,253	71.7%	20,067	13,050	65.0%	18,892	14,175	75.0%
	Deck Addition (wood)	7	10,350	7,259	70.1%	10,460	7,644	73.1%	10,490	6,763	64.5%	9,493	7,315	77.1%
	Siding Replacement (foam-backed vinyl)	8	14,274	9,937	69.6%	14,587	10,876	74.6%	14,607	9,720	66.5%	13,152	10,156	77.2%
	Siding Replacement (vinyl)	9	11,729	8,155	69.5%	12,056	8,781	72.8%	12,024	8,068	67.1%	10,758	8,310	77.2%
	Window Replacement (vinyl)	10	14,328	9,898	69.1%	14,922	10,745	72.0%	15,116	9,167	60.6%	13,028	9,684	74.3%
	Window Replacement (vinyl)	11	11,319	7,692	68.0%	11,647	8,408	72.2%	11,904	7,441	62.5%	10,294	7,359	71.5%
	Window Replacement (wood)	12	12,229	8,258	67.5%	12,582	8,711	69.2%	12,858	7,838	61.0%	11,171	8,300	74.3%
	Window Replacement (wood)	15	18,999	12,175	64.1%	19,414	12,660	65.2%	19,787	11,217	56.7%	17,695	12,433	70.3%
	Deck Addition (composite)	16	15,579	9,780	62.8%	15,729	9,856	62.7%	15,900	9,393	59.1%	14,893	10,108	67.9%
	Bathroom Remodel	18	16,552	10,293	62.2%	17,460	10,329	59.2%	17,551	9,772	55.7%	15,276	10,440	68.3%
	Grand Entrance (fiberglass)	19	7,488	4,554	60.8%	7,709	4,724	61.3%	7,781	4,477	57.5%	6,908	4,529	65.6%
	Roofing Replacement	22	21,204	12,257	57.8%	22,827	13,476	59.0%	23,189	12,500	53.9%	18,672	12,098	64.8%
Back-up Power Generator	33	14,760	7,009	47.5%	15,009	6,361	42.4%	15,617	7,240	46.4%	13,621	7,535	55.3%	
\$25,000 TO \$100,000	Attic Bedroom	3	50,148	36,346	72.5%	52,654	37,190	70.6%	53,871	35,856	66.6%	44,843	36,148	80.6%
	Basement Remodel	13	63,378	42,338	66.8%	66,675	37,680	56.5%	67,860	38,113	56.2%	57,166	44,400	77.7%
	Major Kitchen Remodel	14	57,494	37,785	65.7%	58,982	37,546	63.7%	59,731	36,346	60.8%	54,426	38,709	71.1%
	Family Room Addition	20	83,118	50,004	60.2%	85,767	47,726	55.6%	87,989	48,429	55.0%	74,681	48,049	64.3%
	Garage Addition	24	57,824	33,089	57.2%	58,099	33,518	57.7%	60,994	31,896	52.3%	52,663	33,839	64.3%
	Bathroom Remodel	26	52,249	28,972	55.5%	54,374	27,537	50.6%	55,029	27,877	50.7%	48,678	28,870	59.3%
	Deck Addition (composite)	27	37,829	20,637	54.6%	38,237	20,071	52.5%	38,872	19,530	50.2%	36,258	20,971	57.8%
	Roofing Replacement	28	37,481	20,435	54.5%	40,807	20,837	51.1%	41,269	21,268	51.5%	32,747	20,509	62.6%
	Bathroom Addition	29	76,209	40,061	52.6%	77,795	36,319	46.7%	80,596	37,319	46.3%	70,292	39,820	56.6%
	Garage Addition	30	86,347	44,987	52.1%	88,012	43,782	49.7%	90,995	43,296	47.6%	79,310	45,410	57.3%
	Bathroom Addition	31	40,096	20,455	51.0%	41,753	19,920	47.7%	42,832	19,912	46.5%	36,184	19,741	54.6%
	Sunroom Addition	34	74,310	34,133	45.9%	75,649	33,118	43.8%	77,136	35,662	46.2%	69,613	35,475	51.0%
	Home Office Remodel	35	27,963	11,983	42.9%	28,493	11,894	41.7%	28,955	11,269	38.9%	26,421	12,336	46.7%
\$100,000+	Two-Story Addition	17	165,796	103,391	62.4%	167,478	99,630	59.5%	172,435	101,314	58.8%	151,374	104,316	68.9%
	Master Suite Addition	21	106,196	62,874	59.2%	109,932	61,201	55.7%	112,788	63,821	56.6%	95,790	62,917	65.7%
	Major Kitchen Remodel	23	110,938	63,731	57.4%	112,841	59,869	53.1%	114,041	62,871	55.1%	106,901	66,600	62.3%
	Master Suite Addition	32	227,178	114,822	50.5%	232,989	107,584	46.2%	236,917	112,033	47.3%	212,339	117,318	55.3%

black=midrange project blue=upscale project

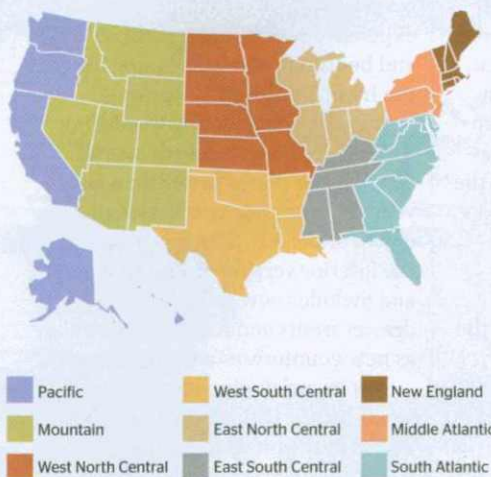
About the Report

Confidence Intervals

For national averages, the confidence interval is 95% +/-1.5 (i.e., 95% of the time, national results for this survey will fall within 1.5 points to either side of the results published here). Confidence intervals for each of the nine regions are as follows:

Region	Confidence Interval
New England	95% +/-5.9
Middle Atlantic	95 +/-4.8
South Atlantic	95 +/-3.3
East North Central	95 +/-3.7
East South Central	95 +/-6.5
West North Central	95 +/-4.9
West South Central	95 +/-4.4
Mountain	95 +/-4.9
Pacific	95 +/-4.3
National	95% +/-1.5

Regional Key



Research Team

- **REALTOR® magazine** (realtormag.com) and the National Association of REALTORS® (realtor.org) broadcast e-mail survey links to its member sales agents, brokers, and appraisers to obtain estimates of resale value.
- **Specpan** (specpan.com), an online market research company, programmed and hosted the Web-based survey, collected and compiled the data, and provided consulting.
- **HomeTech Publishing** (hometechpublishing.com), a developer and publisher of construction estimating books and software, provided cost estimates for all 35 remodeling projects, customized for the 80 cities surveyed.



East North Central			West North Central			East South Central			West South Central			Mountain			Pacific		
Job Cost	Value at Sale	Cost Recouped	Job Cost	Value at Sale	Cost Recouped	Job Cost	Value at Sale	Cost Recouped	Job Cost	Value at Sale	Cost Recouped	Job Cost	Value at Sale	Cost Recouped	Job Cost	Value at Sale	Cost Recouped
\$1,283	\$881	68.7%	\$1,242	\$620	49.9%	\$1,131	\$826	73.0%	\$1,107	\$925	83.6%	\$1,187	\$840	70.8%	\$1,473	\$1,252	85.0%
1,562	1,019	65.2%	1,520	800	52.6%	1,419	904	63.7%	1,367	1,023	74.8%	1,465	1,027	70.1%	1,732	1,531	88.4%
3,019	1,949	64.6%	3,017	1,562	51.8%	2,945	1,841	62.5%	2,925	2,180	74.5%	2,974	1,884	63.4%	3,074	2,838	92.3%
3,624	1,879	51.8%	3,547	1,493	42.1%	3,339	1,838	55.0%	3,292	2,095	63.6%	3,444	1,728	50.2%	3,959	2,696	68.1%
13,648	9,817	71.9%	13,503	9,010	66.7%	13,211	10,531	79.7%	13,067	10,402	79.6%	13,330	9,372	70.3%	13,971	11,905	85.2%
20,008	13,140	65.7%	19,598	10,884	55.5%	18,951	13,797	72.8%	18,617	13,945	74.9%	19,196	13,404	69.8%	20,947	19,165	91.5%
10,793	6,655	61.7%	9,774	5,814	59.5%	8,908	5,670	63.7%	9,496	6,778	71.4%	10,224	6,713	65.7%	12,938	10,596	81.9%
14,551	9,437	64.9%	14,042	8,265	58.9%	13,025	9,030	69.3%	13,116	9,519	72.6%	13,639	8,894	65.2%	17,317	12,356	71.4%
12,056	7,719	64.0%	11,608	6,850	59.0%	10,682	7,363	68.9%	10,671	7,911	74.1%	11,225	7,386	65.8%	14,161	10,080	71.2%
15,055	9,596	63.7%	14,348	8,428	58.7%	13,115	8,257	63.0%	12,387	9,051	73.1%	13,529	8,966	66.3%	17,157	13,737	80.1%
11,880	7,419	62.5%	11,366	6,353	55.9%	10,423	6,305	60.5%	9,874	6,878	69.7%	10,801	6,965	64.5%	13,504	10,995	81.4%
12,863	8,062	62.7%	12,230	6,500	53.1%	11,310	6,889	60.9%	10,780	7,687	71.3%	11,637	7,485	64.3%	14,432	11,469	79.5%
19,771	11,695	59.2%	18,948	9,380	49.5%	17,921	10,379	57.9%	17,243	12,146	70.4%	18,001	10,874	60.4%	21,910	16,695	76.2%
15,902	8,922	56.1%	15,386	8,498	55.2%	14,731	8,167	55.4%	14,706	9,460	64.3%	15,332	9,059	59.1%	17,358	13,045	75.2%
17,190	9,497	55.2%	16,470	8,092	49.1%	15,182	9,437	62.2%	14,572	10,173	69.8%	15,715	9,054	57.6%	19,204	14,431	75.1%
7,731	4,358	56.4%	7,516	3,431	45.6%	6,940	4,002	57.7%	6,813	4,699	69.0%	7,229	3,968	54.9%	8,665	6,146	70.9%
23,037	11,535	50.1%	20,894	8,937	42.8%	19,070	10,334	54.2%	17,298	10,683	61.8%	19,215	10,826	56.3%	26,086	17,942	68.8%
15,614	6,444	41.3%	14,933	5,448	36.5%	13,597	7,288	53.6%	13,052	7,428	56.9%	14,150	5,846	41.3%	16,996	8,783	51.7%
53,240	33,487	62.9%	50,006	29,948	59.9%	44,982	37,708	83.8%	42,463	32,863	77.4%	47,004	35,924	76.4%	61,066	46,981	76.9%
66,371	36,744	55.4%	63,228	33,238	52.6%	57,001	40,085	70.3%	54,297	44,829	82.6%	59,980	42,970	71.6%	76,393	58,337	76.4%
59,155	35,097	59.3%	57,300	31,543	55.0%	54,410	32,954	60.6%	52,866	38,388	72.6%	55,571	35,877	64.6%	64,209	48,745	75.9%
88,215	47,999	54.4%	82,931	41,884	50.5%	74,809	46,208	61.8%	71,642	49,771	69.5%	78,656	45,793	58.2%	101,311	69,611	68.7%
61,099	29,495	48.3%	58,052	26,804	46.2%	52,513	27,788	52.9%	50,429	32,976	65.4%	55,272	30,360	54.9%	69,904	45,893	65.7%
54,069	26,895	49.7%	52,200	23,183	44.4%	48,539	26,330	54.2%	47,076	31,065	66.0%	50,138	27,328	54.5%	59,317	38,582	65.0%
38,521	18,822	48.9%	37,410	17,280	46.2%	35,688	17,885	50.1%	35,634	21,471	60.3%	37,272	19,575	52.5%	41,910	27,432	65.5%
40,819	19,651	48.1%	37,181	16,106	43.3%	33,879	17,085	50.4%	30,688	19,001	61.9%	33,015	16,673	50.5%	46,028	29,147	63.3%
79,778	38,244	47.9%	76,361	31,395	41.1%	70,139	37,903	54.0%	67,717	42,443	62.7%	73,030	38,432	52.6%	88,771	54,782	61.7%
90,713	39,927	44.0%	86,291	35,469	41.1%	78,916	38,714	49.1%	76,066	46,529	61.2%	82,240	41,796	50.8%	102,506	63,486	61.9%
42,258	18,381	43.5%	40,064	15,643	39.0%	36,100	19,072	52.8%	34,555	20,848	60.3%	37,964	18,861	49.7%	48,237	29,747	61.7%
76,428	33,145	43.4%	74,119	28,814	38.9%	69,906	32,921	47.1%	67,845	33,712	49.7%	71,883	26,970	37.5%	85,177	43,184	50.7%
28,877	11,071	38.3%	27,952	9,050	32.4%	26,560	11,740	44.2%	25,762	12,713	49.3%	27,086	10,672	39.4%	31,239	15,777	50.5%
173,467	97,160	56.0%	172,913	96,385	55.7%	150,865	93,524	62.0%	151,139	98,659	65.3%	158,013	93,628	59.3%	191,902	135,006	70.4%
112,323	60,268	53.7%	106,234	53,990	50.8%	96,005	58,166	60.6%	91,971	60,335	65.6%	100,563	55,947	55.6%	127,813	82,764	64.8%
113,020	59,375	52.5%	110,541	53,787	48.7%	106,910	58,266	54.5%	104,923	66,378	63.3%	108,564	59,218	54.5%	119,716	79,697	66.6%
236,129	106,029	44.9%	226,652	97,485	43.0%	211,384	110,133	52.1%	205,592	118,336	57.6%	218,288	105,482	48.3%	259,953	148,456	57.1%

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priced at less than \$19,000. In addition, most replacement projects immediately improve curb appeal, and the use of durable, low-maintenance replacement materials appeals to home buyers who increasingly are looking to reduce both the operational and maintenance costs of their homes.

INTERIOR REMODELING

The Attic Bedroom project is in the top 10 for the third year in a row, despite being the most expensive project in that group, averaging \$50,148 nationally. One possible reason for the high value placed on this project, which is ranked third

overall (72.5%), is that it is the least expensive way to add a bathroom and bedroom, and it does so within the home's existing footprint.

It is also worth noting that Minor Kitchen Remodel is fourth overall (72.1%), two places better than last year. At an average cost nationally of just under \$20,000, this project is the interior version of a replacement and includes new cabinet door and drawer fronts and hardware, as well as new countertops and appliances.

Not surprisingly, since 2004, when Minor Kitchen Remodel was added to the project list, it has been the best-performing K&B project in every year but one.

On-Demand Reprints

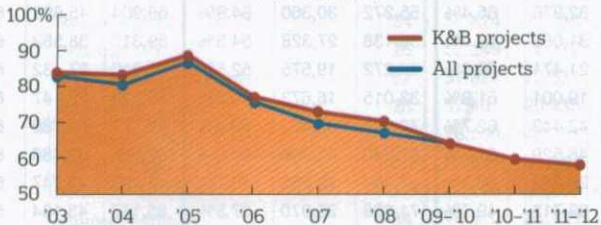
Color reprints of selected 2011-12 Cost vs. Value city data can now be ordered online. Choose from four standard reports – All Projects, Top 5, Replacements, and K&B Projects – configured as either mailers or handouts (an electronic PDF that can be sent as an email attachment is also available). Add optional company contact info, images, and a unique marketing message. <http://go.hw.net/r-buyCvV>

Cost vs. Value 9-Year Trend



Construction costs in the 2011-12 Report continue to drop, though at a slower rate than last year. The drop in resale value, however, more than compensates, resulting in an overall cost-value ratio (blue) of 57.7%. This slip of 2.3 points is smaller than last year's 3.8-point decline and may signal that housing values are at or near the bottom.

K&B Trends



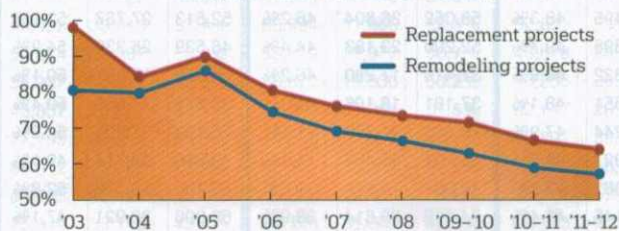
Historically, K&B projects have consistently performed several points higher in cost-value ratio than the average for all projects. In recent years, however, the gap has narrowed, and this year K&B projects matched the overall national average for cost-value ratio at 57.7%.

Regional Comparison, 2011-12



High resale values in Pacific region markets keep the cost-value ratio well above average (71.3%), despite the highest cost of remodeling. Cost-value ratios for mid-Atlantic and north central markets are below the national average of 57.7%.

Replacement vs. Remodeling



Replacements projects have historically outperformed full-service remodeling projects, primarily because of their lower cost and the fact that they are perceived as an essential part of regular home maintenance.