

The value of home improvements

Buying a home represents a significant investment of resources. Money for a downpayment is the first thing that potential buyers work to accumulate. The buyers must also have sufficient income to make the mortgage, property tax and hazard insurance premium payments. In addition, some properties bring with them additional obligations, such as homeowner association fees, Mello-Roos improvement district assessments or other special assessments.

Given the substantial investment in a home, most homeowners have a desire to maintain the home in good condition. This allows them to enjoy the amenities of the home, and also contributes to the value of the property. On-going maintenance items, such as painting, mending fences, maintaining the landscaping, and making normal repairs can preserve the value of the home and will allow the home to keep up with market appreciation.

Investing money in home improvements, above and beyond general maintenance items, may also increase the livability of the property, and may contribute to value. In a generally appreciating housing market, the cost of some home improvements may be fully recovered upon sale of the property. However, the value that a particular improvement adds to the property does not always equal the cost of the improvement. In a flat or declining housing market, the cost of home improvements may not be recovered at all.

Often, improvements are completed in anticipation of selling a home. In this case, the most productive improvements are those that are relatively inexpensive, but that improve the appearance of the home. Examples of these types of improvements are new lighting fixtures, new appliances, new flooring (linoleum, carpets, etc), painting, and new landscaping.

Some homes need improvements that tend to be very costly, and generally add less than the full value of the improvement to the home. Some of these items include a new roof, foundation repairs, upgrading the wiring system, new pipes, and dry rot or water damage repair. Other improvements that emphasize a style specific to the homeowner or that result in amenities not normally found in the neighborhood also may not result in an increase in value equal to the cost.

As you consider doing home improvements, think about the benefit that you will get out of the improvement. If you are planning to stay in the home, you may be willing to spend money on a more expensive improvement, since you know you will be enjoying it for many years.