



Appraisal
Institute®

*Professionals Providing
Real Estate Solutions*

Remodeling & Rehabbing: Some Valuable Hints for Homeowners



Remodeling & Rehabbing

Some Valuable Hints for Homeowners

Whether you're thinking about modernizing a room in your home or rehabbing an entire house, you'll want to make sure the money you invest in the project has a positive effect on your home's value. Before you start tearing up tile, ripping out old plaster or buying that "handyman's special" you've had your eye on, you should consult a professional real estate appraiser about the economics of your proposed project. You may receive good advice on questions such as:

- Is the improvement feasible and marketable?
- Are neighborhood trends pointing to an upward cycle?
- How to go about it

Keep the Next Buyer in Mind

When it comes to improving your home, don't count on a dollar-for-dollar return on every improvement. For example, real estate appraisers have found that remodeling a kitchen or bathroom or adding a room may bring the greatest return on a homeowner's investment. Some custom installations can actually detract from value, which appraisers call "overimprovements."

- Make sure essential repairs are completed before you start improving—a posh sauna won't make up for a leaky roof. In fact, simple and relatively inexpensive repairs such as plastering and painting could earn a better return on your investment than some major improvement projects.
- When deciding what to improve first, take a look around and find out what other homebuyers want. That way, you'll select those improvements for which the market is willing to pay. Beware of overimproving.

- If you do it yourself, do it right. Keep your improvements consistent with the quality of your home and the character of the neighborhood. If you decide that you can't do the job yourself, be sure to contact a reputable contractor.
- Pay a fair price for improvements, not an inflated price.
- Consider energy-efficient improvements. While they may not save you a great deal of money now, as energy costs increase, so will your savings.

The key to all major home improvement projects is sound advice. Calling a professional real estate appraiser, specifically a designated member of the Appraisal Institute, can start you off on the right foot. Based on their experience and proven ability in the analysis and valuation of real property, they can advise you if your remodeling investment may pay off in the long run.

Is Rehab Feasible?

If you've been bitten by the rehab "bug," you'd better get help or the "disease" could be financially terminal. You need to know if the property is worth rehabbing, if the neighborhood is on an upward swing, how much the rehab will cost and what its "after-rehab" value will be. What you need are the services of a real estate appraiser to conduct a feasibility study. While many people may think of real estate appraisers only in conjunction with mortgage loans, professional appraisers perform a wide range of additional services.

Renovation studies are based on certain economic principles, including those of contribution, increasing and decreasing returns, conformity, and highest and best use. The appraiser explores the alternatives, estimates the cost and potential income/value benefits and, guided by the results of a comparison of the data, develops an estimate of value before and after rehabilitation.

A before-and-after feasibility analysis performed by a professional appraiser can enable you to make a reasonable decision about that potential rehab property. You want to do it; be sure to do it “smart.”

Other needs for an appraisal and/or market analysis related to a rehab property include:

- To judge insurance needs
- To estimate real estate taxes after rehabilitation

Members of the Appraisal Institute: Your Key to Home Improvement Value

A key to major home improvement and rehab projects is your call to a designated member of the Appraisal Institute in your area for a professional appraisal of your property. Members holding the MAI, SRPA or SRA designation of the Appraisal Institute form a network of highly qualified professionals throughout the United States and abroad. They are identified by their experience in and knowledge of real estate valuation and by their commitment to adhere to a strictly enforced Code of Professional Ethics and Standards of Professional Appraisal Practice. With the help of an MAI, SRPA or SRA, you'll know what you're getting into and what to expect before you start!

How to Find a Member of the Appraisal Institute

It's easy to find a member of the Appraisal Institute. Simply go to www.appraisalinstitute.org/search.asp for our “Find an Appraiser” option. You can search for designated and associate members throughout the United States as well as abroad by name, city, county, state or metropolitan statistical area (MSA). You can also search for designated members by business services and property type.

Appraisal Institute
550 W. Van Buren St.
Suite 1000
Chicago, Illinois 60607
T 312-335-4100
F 312-335-4400
www.appraisalinstitute.org

Today and throughout its 70-year history, the Appraisal Institute is the leading organization for professional real estate appraisers. Through its extensive educational programs, the Appraisal Institute's more than 18,000 members are skilled in the up-to-date methods of real estate valuation for commercial and/or residential properties. Reflecting their unbiased and objective approach to real property appraisal and analysis, members of the Appraisal Institute adhere to a strictly enforced Code of Professional Ethics and Standards of Professional Appraisal Practice. Appraisal Institute members may hold the prestigious MAI, SRPA and SRA designations.

The Appraisal Institute advocates equal opportunity and nondiscrimination in the appraisal profession and conducts its activities in accordance with applicable federal, state, and local laws.

Copyright © 2005 Appraisal Institute. An Illinois Not For Profit Corporation. All rights reserved.