



How to Renovate for Resale

As a REALTOR®, I am often called upon to value a renovation as part of the home pricing process. It is extremely difficult to achieve the right balance between quality and cost in any renovation, so how do you make the right decisions if you are renovating in order to sell? The answer, as expected, is that it depends.

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The first question to answer is “Is it worth renovating?” If the value of your home is primarily in its land (i.e. it’s a tear-down) then it may not be worth renovating at all. In this case, it is best to make the home livable and comfortable in order to appeal to home buyers who wish to rebuild. Such properties are actually highly sought-after by investors or young families.

If you decide that a renovation makes sense, or if you are living in a condo that can’t be torn down, the second question to answer is “Where should I focus my money and effort?”

First, it is important to match the quality of the renovation to the price point of the home. This requires being very honest with yourself. Keep in mind that people buy based primarily on location. If you live in a prestigious area or on prime waterfront property, you need to upscale your renovation to match. On the other hand, I’ve seen \$100,000 renovations that effectively price the home completely out of the market for the area in which it’s located. Most REALTORS® will be able to tell you the maximum price point for similar homes in your area, to give you a boundary on your potential return on investment.

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Second, take a look at the home's layout. Older homes are almost always designed with either an enclosed or galley kitchen. One of the highest impact changes is to tear down non-load bearing walls between a kitchen and dining/living area. Once it is opened up, however, you need to make sure there is something worth seeing! On the other hand, don't remove walls between bedrooms. A home with two small bedrooms is worth more than the same home with one large bedroom.

Keep the big picture in mind and think in terms of the overall impact your decisions will make.

Third, choose your finishes wisely. Although it is often a good idea to hire a designer, you can get an idea of what is popular by visiting developers' show

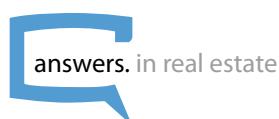


homes. A developer will already have done the homework with respect to styles, trends and cost effectiveness. Try to pick out the new 'standards'. For example, solid wood cabinets are rare and not expected, while granite counter tops are now taken for granted. If you hire a designer, they will appreciate your understanding of materials and trends.

Fourth, always keep the big picture in mind and think in terms of the overall impact your decisions will make. For example, if you decide that stainless steel appliances are a must, you don't necessarily need to have a European package. At the other extreme, you don't want your kitchen to stand out for its lack of quality. A poorly done renovation can discredit the value of the home in the buyers' eyes.

Fifth, if you are living through the renovation, plan every detail and pick every fixture and tile in advance. Find out lead times – a counter top can take up to 8 weeks. Consider using a general contractor to help you through the process and ask questions in advance. Don't rely on picking finishes as you go along, as it will prolong the process and cost more money.

Finally, if you are considering a renovation in order to sell, or know someone who is, I would be happy to apply my years of development experience to answer some of these questions and help maximize the investment value of the renovation.



When you have questions, you need Answers. In Real Estate

~ David Victor Setton



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