Home Improvement Dont Exceed Comps In Your Area

For most homeowners, the pride of ownership includes a consistent home improvement effort. While this makes sense, be careful you dont improve the property so much that you cant recover the costs when it is sold. Home ImprovementYouve picked up a heck of a deal on a home in a nice neighborhood. The purchase price was $200,000 and you put twenty five percent down [$50,000]. The comparable homes, comps, in the neighborhood appraised for $300,000. Yes, your home is a bit run down, but thats why they have Home Depot and weekends! Youll just fix the ugly ducking up and pocket a quick $100,000 in equity when all your projects are done. What a country!This situation definitely has potential. The value of the home is so low when compared to the comps that a relatively quick equity grab certainly looks possible if the home can be fixed up. Off to Home Depot we goLets do an evaluation of our ugly ducking. Put another way, what needs to be done to get it on par with the other ducks in the neighborhood? Okay, we need new doors, new windows and landscaping in a very big way. The drive way looks like a toxic dump sat on it and we arent even going to get into the peeling, ugly paint on the home. Pricing everything, deciding to use homeowner labor as much as possible and so on, we find it is going to run roughly $50,000 to makeover our ugly duckling. Its going to be a lot of work, but thats what weekends are for. We should still come out with a $50,000 gain and $100,000 in total equity considering our $50,000 down payment. Budgets and TemptationThe problem with the above scenario is it is very hard to stick to a budget. If youve owned a home, youre already familiar with this problem. If you are buying a home for the first time, watch out! With homeownership, the structure you own quickly evolves into my home. Once this occurs, you tend to view the quality of your home as a statement to the world and you want to show the world your best. Instead of buying moderately priced cabinets for the kitchen, you buy custom pieces that would make Bill Gates envious. Counter tops soon become marble counter tops. Refinishing the driveway evolves into putting K&K Air Duct & Dryer Vent Cleaning in an entirely new one with brick inlays. And so it goes. You are no longer trying to bring your home up to the standard of the neighborhood homes. You are trying to turn the home into a swan and swans are expensive. After making all your improvements, you are distressed professional dryer vent service to find the total cost being $90,000 instead of $50,000. For all your hard work and effort, youve realized only a $10,000 gain in equity. In ClosingMake sure you objectively budget improvements and stick to those budgets. While there is something to be said for making a home glow, make sure it makes financial sense.