

SMART RENOVATOR

A how-to guide on
maximizing your home
renovation dollars



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No Place Like Home

Canadians understand the value of the home as an investment.

We're all on the lookout for a good investment. Most Canadians know investing in their cousin Joe's lawn-bowling instructional-video business probably isn't a sound place to make their savings grow, but they're sure that investing wisely for the future is more important than ever before.

For many years, the stock market boomed as the place Canadians chose to invest their retirement nest eggs, and were encouraged to "think long term" and "be in it for the long haul." But in the past couple of years, the tumultuous state of the stock market has more Canadians thinking that these types of investments carry risks.

For the vast majority of Canadians, according to a RE/MAX National Survey of home buyers, the family home, more than any other type of investment, surfaces as the preferred way to invest in their futures. A representative sample of Canadians were polled on home-buying themes (see "Making the Grade," below). They were asked to give various investment vehicles a grade out of 100 in terms of how they rate as an investment for the retirement years. A score of 100 meant a truly excellent investment. "A person's home" topped the list with a grade of 77%, far surpassing other investments such as Canada savings bonds, mutual funds (56% each), corporate bonds (48%) and the stock market (42%). In fact, the top three preferences were

real estate related: the principal home, a well-located condo and rental property. According to the survey, Canadians feel owning property is "one of the surest ways of accumulating assets for retirement." They consider it the best way to make an investment and enjoy its use at the same time, and they think it's a desirable way channel inheritance money and is an effective way to leave an estate for one's own children.

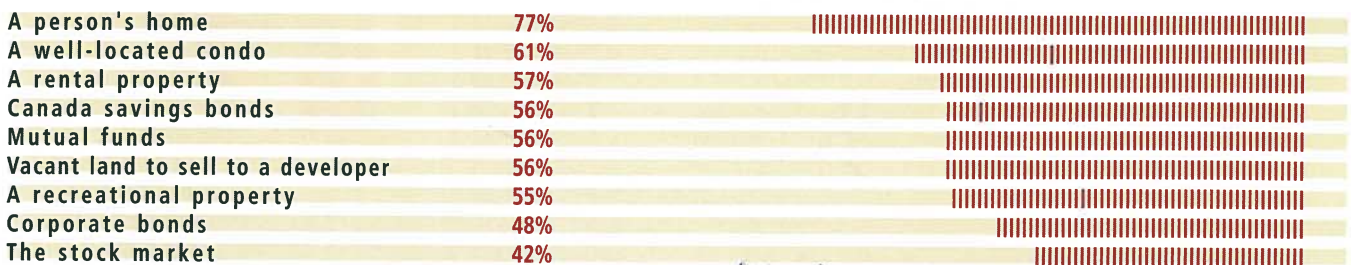
SOUND INVESTMENT MANAGEMENT

Lower interest rates and more convenient financing options mean that more Canadians are purchasing homes than ever before. National home ownership rates have climbed 3.4% since 2000—currently 64.2% of Canadians own homes. And if investing in one's home makes sense for Canadians, so too does managing that investment wisely.

Here's where home renovations make their mark. But not all home renovations can be painted with the same brush, if you'll pardon the pun. Getting the biggest return for your renovation dollars means knowing what home buyers want and analyzing what choices make the most sense for your area, economic neighbourhood, what type of buyer you will be targeting and your own lifestyle, of course. What follows is a guide to help you make the smartest choices for your home renovation dollars.

Making the Grade

Canadians give various investment vehicles a score out of 100 on perceived value.





Word on the Street

David Brown, executive vice-president, reveals what the veteran real estate company can teach you about increasing your home's re-sale value.

Q: Why did RE/MAX choose to do this survey?

A: As experts in valuing properties, we are asked frequently the effect of various renovations. At a time when renovation trends are up dramatically, we wanted to offer consumers the best possible overview that could be augmented by our agents.

Q: What does the survey reveal about home renovation choices?

A: When it comes to home renovation there are rational choices and emotional choices, and both are OK. But smart homeowners will do the renovations that fit their price range and will prioritize them according to payback. We all have dreams and ambitions about what we want to do with our homes, but the whole idea is to add some reason to those ambitions and prioritize them accordingly.

Q: How should Canadian homeowners use this survey information?

A: First of all, homeowners should create a home that reflects their lifestyle, but also make wise choices in renovation to improve the value of their most important asset. This survey data should be used as a guide to the variety of renovations that are out there and how others view them. With this information, homeowners will be more able to focus on some of the smarter renos that are going to connect with other people and prioritize which ones they should focus on.

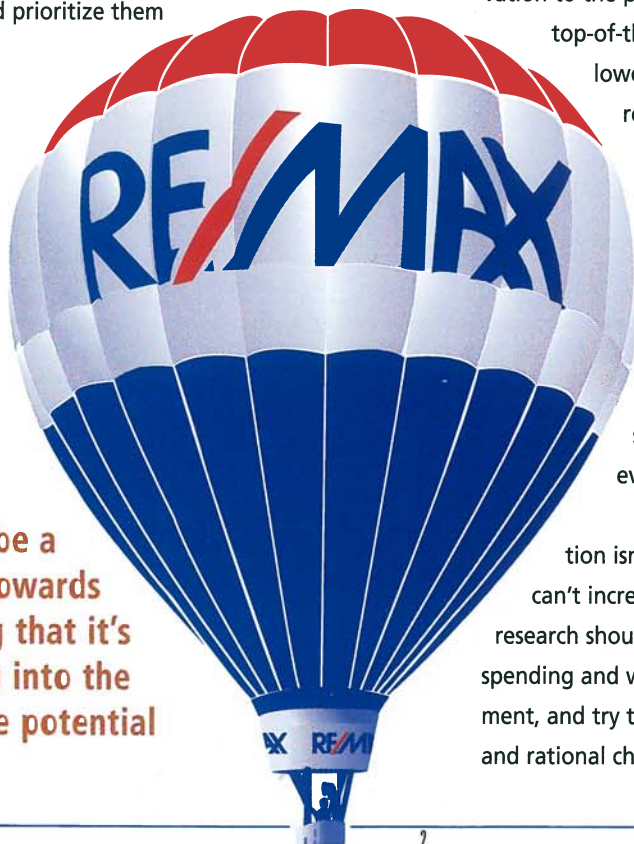
This data is not meant to be absolute. It's meant to be a springboard towards understanding that it's about tapping into the lifestyle of the potential buyer. You have to get an overall view of the picture rather than just the pieces in it. Use this information to correlate the right renovation to the price of home you are in. You may want a

top-of-the-line stove, for example, but if you live in a lower-price-range home, you may never see a return on that investment because it's not what homebuyers in that price range are interested in or willing to pay more for.

If you build a home theatre system into a townhouse, which is truly an emotional rather than rational choice, people are going to love it, but you're not going to get your money back from it. Put the same thing in a \$500,000 home and it may even be a prerequisite.

It's also important to note that if a renovation isn't popular, it doesn't necessarily mean it can't increase the value of your home. What the research should tell you is to be sensitive to what you are spending and what return you will likely see on that investment, and try to find a balance between your emotional and rational choices.

"This data is not meant to be absolute. It's meant to be a springboard towards understanding that it's about tapping into the lifestyle of the potential buyer."



What Type of Homebuyer Are You?

Home seekers can be divided into four types. Knowing what type you are will enable you to attract like-minded buyers and increase the re-sale value of your home when deciding where to sink your home renovation dollars.



SOCIAL ANIMALS

Social animals value spending time with neighbours and going for neighbourhood walks, having a park or community nearby, entertaining friends, hanging around the kitchen with friends or family, enjoying the deck or backyard and walking the dog. While the “feel” of the neighbourhood is a big selling point for these “people people,” renovations that could warm their hearts would be a comfortable new deck, spacious and homey kitchen renovation, fireplace, attractive backyard fencing and front yard friendly curb appeal.



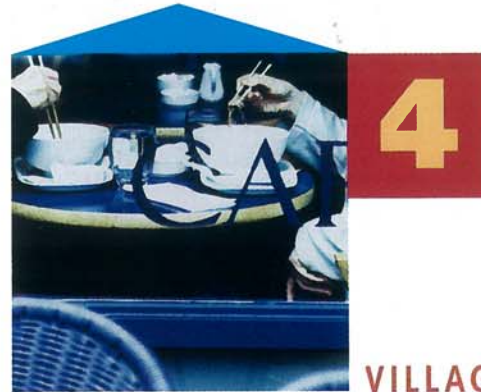
SUN AND FOOD TRADITIONALISTS

Above all, sun and food traditionalists value bright and sunny homes with lots of open space, fancy kitchens and gardens, and formal dining and living rooms. They respond to the esthetic aspects of life and want this reflected in their homes. Renovations that would appeal to this bunch? Gourmet elements in the kitchen, a fresh, sunny paint job, thoughtful landscaping, removing walls within the home to open it up, and formal elements such as high-quality flooring and crown molding.



PLEASURE SEEKERS

For pleasure seekers, the experiences in life make it worth living. They're somewhat oblivious to interior decorating and fancy faucets. But show them renovations such as a hot tub, pool, Jacuzzi tub, home theatre room with surround sound, recreation room complete with entertainment centre, pool table, juke box and built-in bar, or a backyard deck with built-in bar-beque and they'll be ready to let the good times roll.



VILLAGERS

Villagers are willing to sacrifice space and even comfort in order to be able to live close to the conveniences they care about. Having grocery stores, restaurants and shops within walking distance, or a short car ride away, makes life exciting for these urban-ites, and uses their time in the best way possible. Home details that will catch their eyes would be ingenious and efficient uses of space, professionally organized closets, open living space and high-quality materials and fixtures that elevate cramped quarters.

Did You Know?

According to a recent Ipsos-Reid poll, more than half (54%) of Canadians use the Internet to research real estate listings, even beating out online banking (53%).

www.remax.ca is the most popular branded Web site for Canadian homebuyers.

Maximizing Your Renovation Dollars

From your home's market value and understanding the needs of potential buyers, to your own dreams for your home, all should be considered when deciding what renovation to sink your teeth into.

When it comes to renovating our homes, we all have ideas about what we'd like to do. Some have visions of sipping champagne while soaking in a new hot tub, or lounging by a sparkling pool in the backyard. Others would rather sink their savings into a kitchen fit for a gourmet chef or the newest chic leather flooring. But if you consider your home an investment, as most Canadians do, taking the time to discover which renovation will give you the best return on your investment, will be time—and money—well spent.

Indeed, not all renovations can be painted with the same brush when it comes to value. When RE/MAX surveyed Canadians on their home-buying tendencies, the goal was to discover what renovations home-buyers preferred—and would be willing to pay for—when making offers on homes. What surfaced were some interesting trends that highlighted the various needs and desires of a variety of demographic groups and housing price categories.

The verdict? Deciding which reno is best for your home can't be done simply by referring to a laundry list of "the latest" renovation trends. Discovering what renovations will provide you with the most value comes from analyzing a variety of factors, from the price and location of your home, to who you are targeting. Sound confusing? It's not. Here's a rundown of the secrets to renovation success RE/MAX's survey data revealed.

Since the preferences of buyers changes when considering various housing price points, the survey data is divided into five housing price ranges:

Under \$140,000

\$140,000 to \$185,000

\$185,000 to \$250,000

\$250,000 to \$400,000

\$400,000 plus

Respondents were asked how much they would pay the seller of a 15-year-old home for upgrades the seller had made to his or her home two years earlier. They were asked to imagine that they had the choice of two homes that were originally identical in the same neighborhood, the only difference being that one of the homes had been given an upgrade of good quality. From this data, relative return-on-investment (ROI) percentages were made, giving an idea of how valuable your renovation choice would be as a smart long-term investment in your home (see "Renovation Weigh-In," on next page).

It should be noted that of all the renovations listed in the various house price levels, a number surfaced as winners in all categories. Investing in kitchen, shingle, plumbing and window renovations are always wise decisions. Fresh paint jobs and flooring upgrades are also productive investments in the resale value of your home. But remember to temper this idea by



considering the overall value of your home. Each renovation category has a range of price options available and each has an appropriate application. If you are in the lower-end home price category, skip the granite countertop and high-end appliances in the kitchen and lower your price expenditures. Chances are you'll never see a substantial return on your investment. A fresh, clean, homey kitchen should do the trick without breaking the bank. In a higher-end price range, however, granite countertops, slate flooring and a sub-zero fridge might be what you need just to keep up with what else is out there.

As another example, according to the chart below, a fireplace addition gets a positive response from the lower-range homes. From the higher priced homes, the response is not so "hot." This means that if you have your heart set on cozying up next to some crackling logs this winter, and you live in a lower-priced home, this type of renovation could become a nice feature quality in your home.



If you live in a more expensive home, however, perhaps a fireplace, or numerous fireplaces, would be an expectation rather than a valuable feature.

In general, the survey revealed that backyard pools, hot tubs, new broadloom and removal of interior walls are a gamble, and at times can be relatively unproductive investments from a re-sale point of view, unless you are quite sure you will be able to attract a buyer who will find value in these upgrades. But if you have your heart set on summers by the pool, just be aware of the price threshold your particular home will withstand and work within that range.

In the end, if you are going forward with a renovation choice that's not very popular, it's not the wrong thing to do if it fits your lifestyle and you will enjoy it for years to come—just be sensitive to the cost of your house and what kinds of houses you will be competing against if you sell it.

Renovation Weigh-In

Buyers were asked to rank home renovations at five house price ranges in terms of their relative value and importance. Return on investment (ROI) is shown below as a percentage of the amount paid for renovation. Keep in mind these percentages are not absolute, dollar-for-dollar payback expectations, but should instead be used as a gauge for how attractive certain renovations are in the various home price ranges.

Upgrade ROI:	Under-\$140,000	\$140,000-\$185,000	\$185,000-\$250,000	\$250,000-\$400,000	\$400,000 +
1 Kitchen and appliances	67%	65%	75%	64%	58%
2 New shingles	64%	62%	62%	61%	42%
3 Interior paint job	63%	58%	48%	22%	56%
4 New windows	62%	58%	64%	59%	40%
5 Bathroom and kitchen taps and plumbing	57%	70%	67%	54%	43%
6 Fireplace addition	55%	50%	45%	42%	26%
7 New flooring	53%	55%	49%	49%	46%
8 Landscaping or interlocking brick in front of house	50%	48%	49%	37%	38%
9 Landscaping or decking in back of house	46%	46%	43%	39%	34%
10 Wall removal to create open concept	36%	35%	40%	34%	32%
11 Hot tub	33%	27%	32%	19%	21%
12 Broadloom	24%	28%	27%	26%	17%
13 Swimming pool	22%	19%	20%	17%	17%

The Reno Craze

Home-owners love to invest in their homes more than ever before.

Home-owners in Canada spent a total of \$23.4 billion on home repairs and renovations in 2002, compared to just \$11.8 billion in 1995. About 76% of the nation's 8.1 million homeowner households indicated they had made at least one repair and renovation expenditure. Painting remains the most common type of repair or renovation work reported, with 45% of owners under-

taking some type of interior or exterior paint job. Also commonly reported were repairs to plumbing fixtures, patios, fences or driveways, and to heating or air conditioning systems.

(Source: Statistics Canada)

Renovation Revelations

Whatever your budget or target market, here are seven tips for successful renovations.

1 Choosing a Contractor. Your RE/MAX realtor can help you find several suitable contractors. Other sources are referrals from family, friends and neighbours who have done similar renovations. They can tell you about the dependability of the contractors they worked with, the quality of the work and their overall experience with that company. You can also get names from local home-builder and renovator associations, and you can check with building supply stores, municipal building departments, Yellow Pages and the Internet.

2 Paint Precision. Painting can be the most cost effective way to add value to your home. To estimate how much paint you will need, measure the height and width of each wall to be painted then multiply to obtain the square footage. For rooms with lots of windows and doors, deduct the square footage of the windows and doors. A 4-litre (one gallon) pail of paint will usually cover 400 sq. ft.

3 Painting Over Oil. Contrary to popular belief, you can paint over oil or alkyd paint with latex paint. To do so the walls should be cleaned, painted with a super adherent acrylic primer, then latex paint can be applied. To test if the paint on the walls is oil or alkyd, some stores carry inexpensive test kits, or you can use methyl hydrate (gas line anti-freeze) or non-acetone based nail polish remover. To test, apply a small quantity to a pad and rub vigorously on the painted surface. If the surface remains shiny it is oil/alkyd; if the paint is stripped it is latex.

4 Flooring Issues. The type of flooring and installation materials you choose may affect the health of your family. Certain types of flooring, plus the glues and sealers used in the installation of the floors, can release chemical odours. Commonly known as off-gassing, these emissions can be harmful for many who have allergies, asthma or sensitivities to chemical products. It can take weeks or months for these chemicals to off-gas or dry out. At the end of this period, there is no detectable odour and most people are no longer affected. Usual symptoms are flu-like. Consider choosing flooring with the lowest emissions possible.

5 About the Bathroom. A new bathroom is a great way to add value to your home. Before you start renovating, you'll want to think about your bathroom, your needs and your budget. Look carefully for signs of deterioration and the possible causes. This will save you money and also help you to be better informed if you're dealing with contractors. Reflecting on your project will also help

you to decide whether you need the services of a professional. Being unsure of what needs to be done, recognizing that the job is very complicated, or that you don't have the time or energy to do the work, are good reasons to hire a professional renovator.

6 Professional or DIY? Some tasks, such as a thorough basement cleanup, don't require special skills. A homeowner with good fix-it skills may be able to do a lot of the other work too, including: roof; eaves trough and downspout repairs; grading and landscaping; patching small basement cracks; clean-up of small mold patches; removing damp insulation, finishes or carpets; insulating cold water pipes; installing dryer venting; and installing storage shelves. Hire a professional renova-

Top 10 Contractor Questions

When choosing a contractor, it pays to ask a lot of questions. Here are some suggestions:

1. How long have you been in business?
2. What work are you licensed to do, e.g. electrical, plumbing?
3. What kind of work do you specialize in?
4. Have you done a similar job before?
5. Will you use your own crew for the work or will you subcontract part of the job?
6. How and when do you clean up, particularly fine dust?
7. What work schedule will you follow?
8. What kind of warranty do you offer and what does it cover?
9. Do you carry workers' compensation and liability insurance?
10. Will you provide a written contract?

(Source: CMHC)

tor for exterior, below-grade water protection and drainage problems, large or moving foundation cracks, concrete placement or major structural repairs. You may also need a heating contractor to install heating, cooling and ventilation equipment.

7 In Addition. Consider a professional renovator to manage an addition project and for structural and finish work. If you are doing it yourself, you will still need to hire sub-contractors to do the electrical, plumbing, heating and ventilation work. You may also want to hire other trades people to do roofing, window, door, cabinet and flooring installation, or paint and drywall finishing. Remember to obtain all necessary permits, get written contracts that describe all aspects of the job, including lien protection. Ensure that workers use safe working practices, are covered by workers' compensation and have their licences where required.

(Source: CMHC)

Choose.... the best agent!

Real estate transactions can be stressful to say the least. The simplest way to reduce your stress is to choose the right professional agent to complete the sale. Be certain of their experience, especially in your area and price range. Make sure your service expectations are clearly outlined and that your agent is in sync.

✓ **Knows the neighborhood!**

RE/MAX agents understand the value of your renovations.

✓ **Experienced Agent!**

RE/MAX agents average the most experience in the industry.

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✓ **World Wide Web Marketing!**

www.remax.ca is the #1 branded website according to Canadian homebuyers.**

✓ **Great Negotiator!**

RE/MAX agents average 3x more successful negotiating experience than the industry average.



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Each office is independently owned and operated.

*Based on audited total spending on tv, radio, outdoor, magazine & newspaper as measured by Nielsen Media Research 2003, Nationally.

**Based on most popular websites among real estate brands from Ipsos Reid Online Homebuyers Survey October 26/03