

What qualities add value to your home?

Make the Most Out of Your Real Estate Investment

Home values are on the minds of everyone who enters the real estate market. We all want to purchase a home at a fair price and watch its value grow over time. No one wants to put a home up for sale and find out that the equity has not increased or, worse, that the value has declined. The value of a home depends on many variables, such as age, condition, size, design, craftsmanship, amenities and location. To make an informed, wise investment, consider some of the following qualities that add value to residential real estate.

Location, Location, Location

The neighbourhood you buy into may have more to do with your home's value than the dwelling itself. A very modest home near the beach may offer a million-dollar view, while a mansion in the middle of nowhere may have little appeal, no matter how grand. If you move to an area with excellent schools, that could make your home more valuable when you decide to sell. If there are high homeowner association fees or special assessments, that could affect the purchase decisions of future buyers.

Curb Appeal

Before you put your home on the market, you should understand that first impressions are very important. If you have a rusty automobile parked in your driveway, many would-be buyers will simply move on to the next house. Making sure your front yard is clean will make a significant difference.



Home Improvements

Experienced real estate professionals know that a few well-chosen improvements can add value to your home. As homes age, many homeowners are renovating to bring them up to date. While it's fine to make your house as attractive as those homes that surround it, you're unlikely to recover your costs if your home becomes far more desirable than those of your neighbours. If you spend too much, the overall character of your neighbourhood may prevent you from reaping the full reward of your investment. Remember, a \$75,000 renovation project will not necessarily increase your home's value by \$75,000.

Typically, the more modest projects have the biggest payoffs. Neatly trimmed landscaping, new carpeting and fresh paint are relatively inexpensive ways to increase value. Interior painting is a good place to start. The investment is small, and with a little patience and attention to detail, anyone can do it. Before you reach deep into your pockets for something like a kitchen makeover, make sure you weigh the costs and benefits of the project.



Questionable Improvements

Some improvements are unlikely to increase home value. A swimming pool, which needs constant upkeep and can increase your utility bills, may deter many potential buyers. Think about future owners when you select exterior paint for your home. Neutral colours tend to appeal to more buyers. An outdoor playhouse may seem ideal if you have small children, but many future buyers will prefer an open backyard. Try to find a middle ground that will be appealing to a wider range of buyers.

When in doubt, consult with your trusted real estate professional.





Be informed.

Do Your Homework

Appearance isn't the only thing that counts when building home value. Some neighbourhoods that look great may hide disturbing secrets. Before you buy a home, check out the area. Walk the neighbourhood. Talk to local residents, and visit the local planning department. What kind of future development is planned nearby? Find out the reputation of the local school district. The police department can tell you about the crime rate.

You may want to consider how far the commute will be from your new residence to major employment centers. Is there easy access to public transportation? In an era of rising fuel prices, that could be an important factor for future buyers.

Another thing to consider is the local economy. What's going on in the job market? A rising unemployment rate will drive down values. However, if the economic setback is expected to be temporary, buying during a recession may give you your best value.



Supply and Demand

Homes tend to be more expensive in areas where there is a shortage of housing. For example, many communities have strict building regulations and rising populations. That tends to increase home prices and ensure a better return on investment over time. In contrast, in areas where jobs have disappeared, there is an excess of housing that could put downward pressure on prices.

Find out what future housing projects are on the drawing board in the neighbourhoods in which you're interested. A surge in the number of home building permits could foreshadow a future excess in housing, and that will push values down.

Seasonal Price Fluctuations

The time of year when you decide to make your purchase can affect the price you will pay. Generally, homes are more expensive during the summer, the peak buying season. Buyers prefer to shop when many homes are for sale. It increases their options and improves their chances of finding a house that meets their needs. However, in the summer, there is more competition and a greater chance of getting into bidding wars, which drive prices up. If you shop during other seasons when selection is more limited, you may find a better deal but forego some of the amenities you wanted. In the end, it is all about tradeoffs and what you value most in a home.

What Can Price Per Square Foot Tell You?

There is a lot of confusion about the importance of price per square foot in determining a home's value, as well as the difference between median and average price per square foot.

To calculate the price per square foot, divide the price of the home by the square footage. Unfortunately, the price per square footage figure for a home can do little but allow you to examine trends in the local market. In other words, it can help you determine whether local values are increasing or decreasing, but it can't help you decide whether an individual home is a "good deal." This is because there are a variety of factors that make each home unique, such as location, condition, improvements, lot size and more.

The difference between average (mean) and median price per square footage in a neighbourhood is easy to calculate. The average price is determined by adding up the prices per square foot of homes recently sold in the area and then dividing by the number of homes sold. The median price requires no math—it's established by finding the halfway figure. The median price is usually more accurate because it eliminates extremes from swaying the average.

