

## **Home Improvement Corner**

*Be a smart gambler in this market.*

A casino is a good analogy for today's market because the common notion is we are going to come out with less than we brought in. Smart players, however, are improving their homes in your neighborhood today. Here are the reasons why they choose now to make their play.

In poker, you can choose to pass, fold, raise or call; the strategy being to make your hand look better than your opponents. Similarly, there are only 4 things you can do with your home: live in it as is, list the home for sale, improve and remodel, or rent the property out. The only choice to make your home look comparatively better is to improve it.

Let's say your home is worth \$650,000 today and it could have been valued as much as \$750,000 at its peak value. You may have purchased it several years ago for \$400,000 and still owe \$300,000 on the mortgage. Of the four options of play, most will choose to pass on any play until justified by what we think it should be worth when we are ready to sell.

The smart player, however, invests \$100,000 in improvements when competing homes are holding. Mortgaging \$400,000 at a lower rate on a \$750,000 value is a smart play for the following reasons:

Cost of Money: Loans are less costly and more prevalent than most people choose to believe. Talk with your banker or see your contractor for a referral. In most cases, overall costs can be reduced by leveraging the construction loan for the value of the completed project.

Tasteful and Balanced: Being careful to get the needed space, smartly designed without overbuilding the neighborhood. The home that gets the most value on sale just "feels" right to the buyer. The best remodels are those that look original to the house - as if the builder had only been wise enough to include it in the first place.

Leveraging Desirables: Kitchen and master bath remodels do the most to add the lifestyle improvement value to a home and are averaging \$90,000 and \$50,000 respectively.

Planning for the Future: There are 50 million baby boomers in this country. Over the next 2 decades, it is expected that the vast majority of them will want to stay in their homes through their "golden years". They will expect their homes to continue to function despite deteriorating eyesight, hearing and mobility. Be sure to apply elements of universal design and sustainability. Doing so ensures a sound investment for your own enjoyment and for potential buyers of all ages.

Improving your home is a smart play when done appropriately and with the right goals in mind. Assess the chip count in your neighborhood and talk to your contractor, banker and financial advisor about the risk vs. return with your investment.

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