

## Protecting The Values Of The Home

As a realtor here in the N. Dallas area I am responsible for marketing & selling homes in the community and see many situations where homeowners wanting to sell their homes are not able to maximize the value (or price) they can receive when they sell. For most of us, our home is the single most important investment we have. And not just a financial investment, but one much more important.

An investment for raising our families, to tick off the growth years of the kids on the pantry door, to invite our friends & family into our hearts and our own enjoyment and well-being. However, properly maintaining our homes will make a huge difference in the financial health of that investment when we decide to make our next move.

For example, when marketing your home, once a prospective home buyer drives up to see the house, attention to detail in the presentation of the home is everything. I've put together a list of areas of the home that are most important to potential home buyers that will positively affect the value and marketability of that home. There is always going to be competitive homes on the market so we need to make sure ours stand out from the rest by maintaining it properly. Now, if you're thinking of buying a house soon this will provide a good checklist to go by as well.

### **Market Value**

A home's market value is based on its condition as compared to sales of homes in the neighborhood with similar size, age & amenities. When I research an area I'll find ranges in prices for comparable homes often with more than 10-15% differences. This spread is a strong indicator of the condition range of the homes. For a simple example, these properties' recent sold data shows;

5/24/05	1922 Garrison	2692 sq. ft	\$175,740
7/10/05	1214 Mackey	2726 "	\$167,900
9/02/05	1202 McCormick	2964 "	\$166,000
5/24/05	1914 Garrison	2574 "	\$148,900

These homes are all built since 2002, 4 beds, 2½ baths in the same subdivision. Note the range is about \$27,000, with cost per square foot between \$56.28 and \$65.28. Reading on the realtor's ad I see that the Garrison house "needs a little TLC", which means it needed a whole lot of cleaning & repair for a house of that age, though it is a bit smaller than the others. Since these were built in 2002, the deterioration was probably because the carpets were a disaster from pets. Proper maintenance and presentation is what can make the difference. Without it, you can sacrifice thousands of dollars for relatively inexpensive fixes. Here's another example, where all these homes are older homes, built in the '80s. All 3 & 4 bed, 2 ½ baths ranging in size from 2,338 to 2,871 sq. ft., all with pools. Cost per square foot from \$91.90 to \$99.27.

2/28/07	1919 Drew	2,338 sq. ft.	\$220,000
3/01/07	1812 Campbell Trl	2,568 "	\$236,000
4/26/07	2103 Brandeis	2,871 "	\$285,000

Again, about \$20,000 difference on average between top and bottom of range. Note the home on Drew sold at over \$94 per sq. ft. in about a week(mid-range). It was competitively priced, but not too low, and in top-notch condition. The buyers recognized not only a good home, but a great value.

Certainly the very best way to maintain a top-price condition is to keep the house well maintained on a regular basis. I have compiled this pamphlet from my own experiences selling homes as well as that of other brokers/agents here in the Dallas and Collin County markets that should give you some good information and

references. If you will simply keep this pamphlet in a significant place & review it quarterly it will help you achieve maximum value when you decide to make your next move.

Remember that the difference in good preventative maintenance can literally bring you tens of thousands more in sales price.

Please don't hesitate to call for clarification on anything or to just check homes values. I am here to help in any way possible.

## **Areas For Review**

Landscaping

Roof

Cosmetics

Wood Destroying Insects

Mold

Mechanical Systems

Foundation

Improvements

Financial Health

Energy Efficiency

Records

### ***Landscaping***

Hugely important because this is what shows off your house when a likely buyer drives up initially. The condition of the yard will make a positive or negative effect. An unkempt yard is an indicator of the attention-to-detail that the homeowner gives the property. Shopping buyers often don't even get out of the car if they don't like what they see on the initial drive-up.

Regular mowing, edging and shrubbery care makes it more homey and shows potential buyers that the home is probably well maintained in general. Trees can make a great investment for your home as well. Be sure to plant trees early so they can mature a bit. Flowers and potted plants are an easy outdoor dress-up too.

Visit some of these resources for more info. <http://www.garden.org>

### ***Roof***

The big joke in Texas is that if you need a new roof, just wait until the next hail storm. Hail does damage, but usually minimally. What some folks do is accept their insurance company's money but don't replace the roof. When you sell your house the payment will show up on insurance records and you will be required to replace the roof at the last minute and sometimes this can ruin a deal because the buyers are feeling that you may be hiding something else as well. It's best to take care of the roof immediately.

Check the roof regularly after heavy storms. Look for loose shingles, flashing, gutter damages, etc. Repair as needed. Roofs older than 15 years are often seen as a liability in a buyer's eyes and some insurance companies have age restrictions on roofs as low as 10 years. When replacing, weigh the costs of several contractors, the most cost effective materials, length of time in business and references.

Don Vandervoort has some great references on roofing issues @ [http://www.hometips.com/home\\_improvement/roofing\\_gutters.html](http://www.hometips.com/home_improvement/roofing_gutters.html)

## ***Cosmetics***

**Paint-** Interior: every 3-5 years. If you do this yourself use a painting guide available at your paint store or on one of the web sites. A professionally painted home is very noticeable vs. a do-it-yourself project that has that stamp of personal frustration.

It's usually a good idea to keep wallpapers to a conservative minimum so you don't have to texture and paint again before putting your house on the market.

**Carpets & Floorings-** Regular carpet care can save you thousands on replacement carpets, though after about 7-8 years on any carpet it will be best to replace it. New carpets are one thing that home buyers will latch on to quickly. New carpets are a regular replacement item, not an upgrade. If carpets are old and ugly the time on market will be much longer and the sales price will be much less.

When it comes to laminate floors vs. ceramic tiles and woods, updated c-tiles & woods will always get you toward the top of the range for flooring. However, large, costly flooring changes need to be weighed carefully. If the rest of the house sparkles and you have some nice vinyl kitchen and baths, you can still be positioned attractively, though updated flooring always helps in selling a home more quickly.

## ***Wood Destroying Insects***

Termites and carpenter ants are what we should be concerned with here. Subterranean termites are the real problem, causing thousands of dollars in unseen damage to the house's frame and walls. Regular inspection and treatments are the way to keep this at bay. Termites will swarm in the spring and migrate from house to house in a neighborhood so be particularly watchful during these times. Inspect your property for tell tale signs like mud tubes running up the exterior from the ground or small spot on the sheet rock where they've begun tunneling through.

The home improvement stores have some good do-it-yourself treatments for less than a hundred dollars. If wood destroying insects are discovered during the inspection of a house by a buyer or mortgage company they will need to be treated professionally at about \$500 a whack. And sometimes it will scare the buyer off completely because of the unknown damages so this is a must. If in doubt, have your home inspected by a pro. The state requires inspectors to place a sticker under the sink when inspected so many buyers and their agents will check to see how well the home has been maintained.

## ***Mold***

We all know molds have been around forever and will always be a nuisance here in our climate. Keeping mold at bay in the house is not usually a large problem, but like anything, if left unattended it can present huge, costly problems down the road.

Mold forms as a result of moisture so the solution is obvious...keep your home dry.. Inspect wet areas regularly to insure moisture doesn't have a chance to grow to costly levels. Areas like behind the refrigerator, behind the washing machine, in the water heater closet, etc. Most molds of less than about a few foot square can be cleaned with detergents or bleach. Larger areas may need to have the affected areas replaced such as sheet rock, wood trims, etc. The reference guide provided by the EPA is worth reading to help you control and maintain this nuisance so it won't cost you value as many home buyers will avoid a home with even the slightest mold problems.

[A Brief Guide To Mold In Your Home](http://www.epa.gov/iaq/molds/moldguide.html) – can be found online at <http://www.epa.gov/iaq/molds/moldguide.html>.

## ***Mechanical Systems***

The mechanical systems of the house are where everything comes together to make your home comfortable and functional. The plumbing system should of course be maintained well and your water heater is the least expensive part to maintain. Water heaters should be drained annually as recommended by the manufacturer. Typically 10-12 yrs is the normal life so you'll want to replace it before it finally gives up the fight. They're relatively inexpensive though you may need to pay for installation. If you have a gas water heater, certainly have a professional install it so they can check the gas lines and set it properly. Code requirements now demand a leak pan be used, but don't forget to have a leak line run from the pan outdoors, particularly if your water heater is in the house or attic vs. the garage.

The heating, ventilation & air conditioning (hvac) will be your most expensive mechanical system. Annual care and service, like your automobile, is the best way to extend the life of your system. Replacing air filters monthly or quarterly and a good tune-up once a year are insignificant costs compared with replacing a neglected system where you'll spend between \$6,000 to \$10,000 depending on your home's requirements.

## ***Foundations***

If you've been a homeowner in Texas for the last year or so then you know the affects of a drought on Texas home foundations. Moisture control is key to maintaining your foundation in good condition. Soaker hoses placed around the house about a foot with timers to let it irrigate for about half an hour a day is ideal when the rains disappear and the hot, dry summers set in here.

Poor drainage is as bad as too little moisture. If you have pooling water around the home after rains or watering, you may want to correct drainage issues. Proper moisture control will save you thousands on maintenance and repairs. If your doors tend to hang up a bit over the year with normal seasonal changes this is a sign your moisture control needs improvement to prevent expensive foundation repairs. Learn more at [www.structuredfoundation.com](http://www.structuredfoundation.com)

## **Improvements**

### Cost Vs. Value

These figures are published annually in conjunction with *Remodeling Magazine* for each large market of the country. It shows the average cost for several projects and the average recouped investment at re-sale.

CAUTION. These figures entail many variables, principally size and location. For instance, if you live in a home that is appropriately valued for neighborhood, size and amenities at \$120,000 and you add a living room, you will not expect to recoup anymore than what the market values for that property and location will allow. In this case, maybe \$10,000-\$15,000. (2005 figures)

		Cost / Recovered Value
Bathroom remodel	90.5%	\$9,129 / \$8,258
Minor Kitchen remodel	83.1%	\$13,967 / \$11,607
Siding Replacement	64.5%	\$6,525 / \$4,208
Attic Bedroom	86.6%	\$34,246 / \$29,645
Deck Addition	69.8%	\$10,628 / \$7,413
Window Replacement	68.7%	\$8,990 / \$6,176
Roofing Replacement	65.3%	\$8,003 / \$5,228
Family Room Addition	73.8%	\$48,822 / \$35,591
Home Office Remodel	65%	\$11,338 / \$7,370

Before taking on a remodel project check the market values for your property and be sure to keep your costs reasonably within that range. Most remodel projects are best done well before you plan to sell because the enjoyment you receive should be the primary return on investment you're after.

An additional note on garage conversions for rehab investors; don't do it. Many folks feel a garage conversion will increase price since it increases livable sq. footage. Just the opposite usually happens because less people will want a home w/o a garage. The house won't get as many lookers and far fewer offers. I've sold houses that have sat for over a year with another realtor and when I get involved the homeowner re-converts to a garage and it sells normally.

## **Financial Health**

This can be an especially problematic situation for homeowners now. The equity you acquire in the life of your home ownership is hugely important to your financial future and stability. Refinancing to pull out equity on a home used to be restricted to very narrow guidelines, but in 1998 the laws changed in Texas allowing home equity loans for a variety of reasons. Consequently there have been an abundance of mortgage brokers coming after your equity. It's often tempting to use an equity loan due to the current tax benefits available but one should be careful to balance the actual market value to the appraised value a lender is willing to issue in order to loan you more money.

For example;

A home is appropriately valued at \$150,000. The homeowner has a loan balance of \$100,000. The finance company can give up to 80% of appraised value. At a value of \$150,00 that would be \$120,000 minus the \$100,00 balance, equals \$20,000 the company can loan you. Now, if you've been a pretty good credit risk up to that point, the lender is confident you'll make your payments on the refinance so they'll have no problem if the appraiser that they hire comes back with an appraisal about 10% higher than actual market value. Appraisers have latitude to make appraisals based on comparative sales over the last 6 months, actual replacement costs,

much like an insurance appraisal and using subjective criteria as well. Thus the available amount to lend you is now \$32,000. (150,000 + 15,000 = 165,000 x .80 = \$132,00-\$100,000)

Because of the refinance fees on many packages, when it's time to move, particularly if you have to sell in the next couple of years, you can be hurt significantly. Particularly if you have less real equity. Your home will still sell only for the \$150,000, even though your appraisal for refinance is larger. There are many good, sound reasons to refinance, but before you do make sure you have the right information to base your decisions on. Know your actual resale value, not just the appraisal for refinance value. Develop your refinance plan based on actual sale data. Or if necessary, seek alternatives. Short-term options can sometimes be the wiser choice and often at good interest rates. While personal unsecured loans may cost you more in the short run, you may pay heavily if you want to sell your home sooner than 5-7 yrs. after refinancing.

## ***Energy Efficiency***

Not only is energy efficiency a public issue with its association to global warming concerns but you can save a lot on reduced utility bills, especially during the hot, Texas summers. Attic and wall insulation are the obvious areas to focus on. Increasing the amounts of insulation in your attics and walls is a good investment in many ways. Sealing all the leak points in the home can reduce utility costs as much as 50% as reported in some studies.

Windows are the biggest loss area and a large concern for people purchasing new and existing homes, so when its time to sell yours, updated and well sealed windows are a recognized feature with real benefits. And don't overlook the doorways, ventilation points throughout the house as well as the points of access for plumbing and hvac fixtures. All should be checked regularly and repaired or enhanced as necessary.

## ***Records***

Take good care of your home and keep records of regular preventative measures, major updates and repairs. This will be your justification to any buyers why your value is the best of the competing homes they're considering. Not enough homeowners do this and it is a real selling point to buyers when this information is offered with the seller disclosures. It allays any unknown concerns someone may have in a home over 10 years old, as that is when most systems begin to deteriorate.

Review this pamphlet quarterly and use it as a checklist of areas to inspect. If you would like some help in assessing your home's condition for sale, please don't hesitate to notify me. I'll be happy to stop by and run through an inspection with you. No cost, no obligation.

*Best Regards,*

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