

2015 Remodeling Cost vs. Value: Less Is More

Smaller replacement projects, particularly those that enhance curb appeal, remain the most cost effective way for sellers to improve value.

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With home price gains slowing in most parts of the country, sellers will be looking for ways to get top dollar for their listing. Cleaning and staging make a big difference. But for some sellers—such as investors seeking to bring a property up to neighborhood standards before the sale—remodeling work may be the ticket.

What Is the Cost vs. Value Report?

The Remodeling Cost vs. Value Report, produced by Remodeling magazine in cooperation with the National Association of REALTORS® and REALTOR® Magazine, provides estimated costs for 36 midrange or upscale home-improvement projects, along with the percentage of cost that owners can expect to recoup when they sell. Projects range from a new garage door to a master suite addition.

Project costs for the 102 markets surveyed for the 2015 report were provided by RemodelMax, a publisher of estimating tools for remodelers, using Clear Estimates remodeling software. NAR members provided the expected value of the projects at resale.

To learn more and see all 36 projects broken down by region and market area, visit Remodeling at CostvsValue.com.

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As the 2015 Remodeling Cost vs. Value Report makes clear, large-scale jobs aren't likely to return sellers their full cost. But there are improvements worth doing in anticipation of an upcoming sale. Some will return almost 100 percent of their cost. Others may not have as great a payback, but they can improve the market position of the property in relation to the competition. (Think about the impact of beautiful kitchen photos on online home shoppers.) In addition, several pricier projects can provide owners with a few years of enjoyment while still offering a decent payback down the road.

As a general rule:

- **Simpler, lower-cost projects tend to return greater value.** The national average cost for a steel door replacement was \$1,230, for example. That's the least expensive project on the list, and it ranks highest on the payback scale, returning 101.8 percent nationally on average. In fact, in 43 of the 102 markets surveyed, REALTORS® said the new door would recoup more than 100 percent of its cost. Other projects expected to top 100 percent payback in multiple markets: the midrange garage door replacement, the upscale garage door replacement, the midrange wood window replacement, and the minor kitchen remodel. Notice a pattern? With the exception of the kitchen job, they're all replacement projects. In general, replacements cost less and provide a bigger payback than remodels or additions.
- **First impressions are important.** The replacements that offer the greatest payback are the ones that are most obvious to buyers when they first view a house in person or online, such as new door or garage door. Siding replacement also provides great value at resale—particularly this year's one new project, manufactured stone veneer, which is expected to recoup 92.2 percent of its cost nationally on average.
- **Kitchens still offer the most remodeling bang for the buck.** The only remodeling job breaking into the top 10 in terms of payback is the minor kitchen remodel with a national average cost of \$19,226 and a national average payback of 79.3 percent.

Top 5 projects nationally in terms of cost recouped:

1. Entry door replacement (101.8%)
2. Manufactured stone veneer (92.2%)
3. Garage door replacement—mid-range (88.5%)
4. Siding replacement, fiber cement (84.3%)
5. Garage door replacement—upscale (82.5%)

- **Expect bigger payoffs in the West.** In addition to reporting national averages, Remodeling magazine breaks down Cost vs. Value data by Census region. In the Pacific region—which includes Alaska, California, Hawaii, Oregon, and Washington—six projects are expected to top 100 percent payback. The nearest competitor is the East South Central region—Alabama, Kentucky, Mississippi, and Tennessee—where two projects are expected to top 100 percent payback.

Just how much sellers can expect to recoup from home improvements depends on the job and the region of the country they live in. There are also factors that vary from house to house and sale to sale, such as what updates are typical for the neighborhood, the quality of the work, and how important the improvement is to a particular buyer. And while you can't apply this data directly to any specific house or neighborhood, you can use the Cost vs. Value Report as a starting point in discussions with buyers and sellers about the cost and value of remodeling.

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