

Beware of 'Improvements' that reduce a home's value

Renovations that reduce the number of bedrooms or bathrooms and poorly planned expansions may kill a sale in the future.

BY LEW SICHELMAN
REPORTING FROM
WASHINGTON

Every real estate agent has seen them: home "improvements" that turn out to be anything but, at least down the road when it comes time to sell. Instead of deal sealers, they are deal killers.

We're not talking about swimming pools or turning spare bedrooms into home offices, which are perhaps two of the worst investments that owners can make. On a cost-versus-value basis, you'll be lucky to recoup even half of what you spend on a pool or office. We're talking about over-the-top, one-of-a-kind renovations.

More often than not, savvy buyers will use a non-improvement to their advantage. In Salt Lake City, for example, Keller Williams agent Audrey Monson's client bought a foreclosed house that had been turned into a mini-castle for pennies on the dollar.

The owner had spent thousands to build a moat out front, complete with a faux drawbridge. Turrets were added to the roof, and gargoyles adorned the exterior.

"The renovations were disastrous," Monson said. "The additions caused different roof elevations to leak where they came together. When we closed, there were mushrooms growing from the ceiling on the main floor and up through the carpet on the upper floor."

Sometimes, the "improvement" is so awful that the place won't sell for even a fraction of the asking price.

Kevin Kieffer of Keller Williams Realty was working with a Northern California client who was trying to sell his house and an adjacent half-acre lot separately. The East Bay agent landed a buyer, but the sale fell apart in the eleventh hour when it was discovered that the owner had attached, without permission, a drainage line from the house to the water-management company's main storm drain that ran down the middle of his empty lot.

"The deal that took 50-plus days of negotiations to put together fell apart in about 20 minutes after the improper and undisclosed pipe was discovered," Kieffer said.

One of the cardinal rules of remodeling is to never attempt anything that is above your skill level. Another is to finish what you start — but not everyone does.

Sarah Rummage of Amer. Realty Resources in Nashville once came across a house in which the entire back wall had been taken down and covered with a plastic wall. It seems the husband had started to build an addition and then bolted, leaving his wife and unfinished project behind.

Most people undertake a home improvement to add on. But sometimes, they subtract rather than add. The less-is-more theory may work for you, but not for everyone else.

Christine Lloyd-Maddocks, who works in the fine-estate division of Rodeo Realty in Woodland Hills, has a listing in Encino in which a bedroom has been converted into a recording studio.

That's not unusual in the Los Angeles market. "It's quite common for homeowners to convert one of their [three] bedrooms into a recording studio, leaving the other two intact," she said. "It can easily be converted back."

But in this case, bedroom No. 2 had been turned into a closet. The closet is large and beautifully done, but it is a closet just the same. The former three-bedroom home has become a single-bedroom house. And there just isn't much of a market for one-bedroom houses.

Brian Copeland of Village Real Estate Services in Nashville sold a four-bedroom, two-bathroom home to a client in 2005. Recently, Copeland was asked to list the place for sale again, only this time it had only one bathroom.

Copeland's client "decided he needed more storage," so he turned the downstairs bath into a closet. "Now, common sense would tell the normal person to simply put his boxes in the shower, around the commode, on the floor," the Tennessee agent said. "After all, it was simply storage space that no one would see."

Instead, the owner took out all the plumbing and fixtures. He told Copeland that he figured his place would be more valuable if it had more storage space.

Historically, homeowners tend to recoup most, if not all, the money they spend on kitchen and bathroom remodels when they sell — but not always.

A few years back, Michelle DeRepentigny, a Keller Williams agent in Athens, Ga., came across a smallish farmhouse that had been expanded. Over the years, bedrooms, bathrooms and a new kitchen were added.

The problem: Everything was uneven. You stepped either up or down from the living room, which had interior doors leading off to five other rooms, the Georgia agent recalled.

"Each addition had its own crawl space, the roofline was just incredible, and all the living room furniture had to be placed in a semicircle in the middle of the room," DeRepentigny said.