

“Improve” vs. “Move”

The walls are closing in. The kids are warring over closet space or bathroom time. You long for a real home office instead of spreading out over the kitchen table. What’s the best solution? Should you “improve” the house, or should you look for another?

This is an important question, and a hasty decision here has the potential to be a costly one. A careful consideration of the following five questions should help to give you a better idea of the decision that may be best for you.

- **How long do you intend to keep the house?**

This initial question has impact on several levels. Firstly, it makes little financial sense to pour money into a house only to sell it. Second, if you’ve ever lived through a renovation, you know how difficult and draining it can be. It’s always better to have the time to enjoy the benefits of the improvements, and this can only be done if you are planning to stay for a reasonable length of time once the renovations are completed. Will the renovations that you are contemplating address the needs that you will have over the length of time that you plan to stay in the improved home?

- **Will you be able to recover the costs of the improvements when you sell?**

An appraiser, or a competent realtor, can show you comparable properties (comps) of recent sales to try to get a grip on how much, if any, the improvements will increase the market value of your home. If you make improvements that don’t add to market value, be prepared to walk away from what you’ve spent. This is especially true if you sell in the short-term (less than 4-5 years, depending on the nature of the improvement). Of course, the value of an improvement should not be measured only in terms of resale value. The enjoyment you receive from the improvement is also an element of the value of the improvement.

- **Are the improvements logical given the age, size and location of the house?**

This is really an extension of the preceding question, but important enough to merit separate consideration. Making expensive renovations to a home that is full of functional obsolescence makes little financial sense. I can tell you, as an appraiser myself, that it’s much tougher to recover the cost of improvements if they aren’t similar in style and design/era to your existing home.

- **Could the addition/changes over-improve the house?**

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Most neighbourhoods can be shown to have a *range* of values – that is, homes in a given neighbourhood may range in value, for example, between \$150,000 and \$190,000. A house at the top end of the neighbourhood value range often can take longer to sell since buyers often purchase at the low end of the range, hoping to maximize equity and improvements made over time. Hence, the adage that “it’s better to buy the worst house on the best street”. There are also some improvements that do not add to value in the minds of certain buyer segments. For example, a family with very young children might shy away from a home with a swimming pool since, in the U.S. at least, it is the number one cause of death for children under the age of five. A remodelled master suite in a third-floor loft could be undesirable to retirees. Even though you may want to make additions/changes based on your immediate needs, it never hurts to look down stream to potential future buyers.

- **Can you replace your current neighbourhood amenities in another home?**

The *value* of a home to its owners is, of course, not limited to the physical structure and property itself. Part of the value of any home is to be found in the neighbourhood in which it is located, and the amenities that the neighbourhood offers to its inhabitants. Schools, shopping, parks, traffic patterns, population mix, etc. are all important elements of value, and an important consideration in the question of “improve” vs. “move”. You may be willing to accept some over-improvement if the prospect of replacing current neighbourhood amenities in another home is not likely.

By answering these five questions, you should be able to get a better idea of the relative merits of “improving” vs. moving

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