

# How to Decide Whether You Should Remodel or Move

MARGARETTE BURNETTE March 3, 2016



It's not easy to decide whether you should remodel your home or it makes more sense to move. But if you're asking the question, chances are you'll be better off making some kind of change. Maybe your home no longer fits your family's needs, or perhaps it's showing signs of age. A home renovation might fix the problem, but so could putting your house up for sale and finding another one.

Either option will affect your wallet. But your decision also could affect much more, from neighbor relationships to school districts and work commutes. You'll want to make the choice that's right for you and your loved ones. Here are some tips to help you decide.

## List home-improvement goals

Start by making a list of upgrades you'd be willing to pay for, either in your current home or a new one, says Michael Chadwick, a financial advisor in Unionville, Connecticut.

For example, if your family's growing, you might want to add a bedroom or a bathroom. If you often cook at home but your kitchen space is older and inefficient, it might be time for an update.

"You'll eventually use this list to estimate how much it would cost for a home remodel, and that can help you decide if it makes more financial sense to upgrade or sell," Chadwick says.

<http://www.nerdwallet.com/blog/mortgages/how-to-decide-whether-you-should-remodel-or-move/>

## Learn your local market

There are a few ways to get the answer to that question. One is to compare your home's value with recent sales in your neighborhood, says Jenelle Isaacson, owner of Living Room Realty in Portland, Oregon. If neighboring homes are worth more than your house, a remodel could bring the value of your property in line with others in your neighborhood, she says. This could be a good investment.

But if you already own the biggest house on the block, you probably won't get a quick return on your money if you pay for a major remodel. This might not seem like an issue if you plan to live in your home for several years after paying for a renovation. But if you need to move sooner than expected — your job relocates you to another state, for example — your home might not sell for enough to make back the money you put into the project.

Be aware of any restrictions that your local community might place on making changes to your home. Contact city officials to learn about building codes and restrictions. And if you're part of a homeowners association, ask a board member to provide neighborhood home-improvement guidelines.

If you need more space but have restrictions on adding square footage to your home, then selling and buying a bigger home will probably be the better choice.

## Estimate home-renovation costs

Find rough estimates for home-renovation projects by reading industry sources, such as Remodeling magazine, which publishes a list of typical renovation costs across the country. The average cost to add a bathroom, for example, is about \$40,000, according to the magazine. If you're leaning toward a remodel, contact a local contractor for a more detailed estimate.

Along with figuring the costs, you'll also need to decide how to pay for a renovation. Homeowners often fund home-improvement projects with a mortgage refinance, a home equity

line of credit or personal savings, says John Walsh, CEO of Total Mortgage in Milford, Connecticut.

“If you have more than 20% equity in your home, you may be able to take some of the money out and use it to pay for a renovation,” he says.

## **Compare costs for selling your home**

If you sell your home, you might not have to pay for major renovations, but you’ll still have expenses. Full-service real estate agents usually [charge a commission](#) of about 6% of the purchase price. There also are moving expenses and travel costs to search for homes in different areas, which can add up quickly.

Add these costs together and you can expect to pay thousands of dollars before you even move to a new home. And you’ll need to have a down payment too.

If you have equity in your home, however, you can use money from the sale to help fund your next move, Walsh says.

## **Weigh emotional benefits**

If you’re not happy with your home but like your neighborhood, it might make sense to upgrade the house and stay put, Isaacson says. “Being comfortable with your community is an intangible benefit that can’t be replaced when you move. If you love where you are and depend on your neighbors, it probably makes more sense to remodel,” she says.

The reverse is also true. If you’re not happy with your home’s location, or with other factors that a remodel can’t fix, it might make sense to sell and find another property, she says.

As a homeowner, you’ll want to carefully weigh the choice between remodeling and moving. By considering the financial and emotional effects of both options, you can confidently make the right decision.