

THE KEY

Should You Renovate or Relocate?



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INTRODUCTION

The Real Deal on Home Renovation

Some of the most popular television programs these days chronicle the ups and downs of home renovation. Sure, there are unexpected issues hiding behind decades-old drywall and budgets always get pushed to the brink, but when the stunning final results are revealed, all that renovation stress seems to be worth it.

While many home renovation projects in real life don't match the manufactured drama we see on TV, deciding to embark on a remodel is still a major financial decision. According to the Harvard Joint Center for Housing Studies, U.S. homeowners are projected to spend \$451 billion on improvements and repairs in 2024. To put that number in perspective, pre-pandemic Americans spent \$328 billion on the same projects in 2019. One reason for the uptick in renovation projects could be this competitive real estate market, with many current homeowners opting to improve their current properties as opposed to upgrading to a new home.

So which is the better move in this unique property market—renovate or relocate? The decision is complicated and extremely personal. With so many variables to consider, it's critical to work with an experienced real estate professional to help guide the process. What might work for one prospective buyer might not be a good fit for their neighbor.

In the pages that follow are insights from Berkshire Hathaway HomeServices network experts that will hopefully be a valuable resource in making the decision to take on a renovation project or seek out a turnkey home. Whatever you decide, using insights from a trusted advisor can help you avoid the real estate hijinx that make for “must-see TV.”



Should You Renovate or Relocate?

Moving can be a hassle—or too costly in this competitive market. When does it make sense to stay put instead of move on?

It's a real estate question as old as time: Is it better to renovate or buy something new (or move-in ready)? For some, that might mean deciding between updating a home they already own versus moving on to a new property. For others, the renovation question looms large over their home search as they grapple with whether to buy a fixer-upper or new construction.

Factors like fluctuating construction costs, an uptick in new home builds and varying loan interest rates make this decision all the more difficult. "In the current competitive market conditions, the choice between renovating and finding a new property largely depends on the individual," says Gino Blefari, chairman and CEO of Berkshire Hathaway HomeServices. "It's crucial you weigh your real estate wants and needs with the actual costs of renovating versus purchasing a different home."

Top 5 Most Costly Renovation Projects



BATHROOM



KITCHEN



NEW ROOF



NEW FLOORING



ELECTRICAL UPDATES

Source: Realtor.com

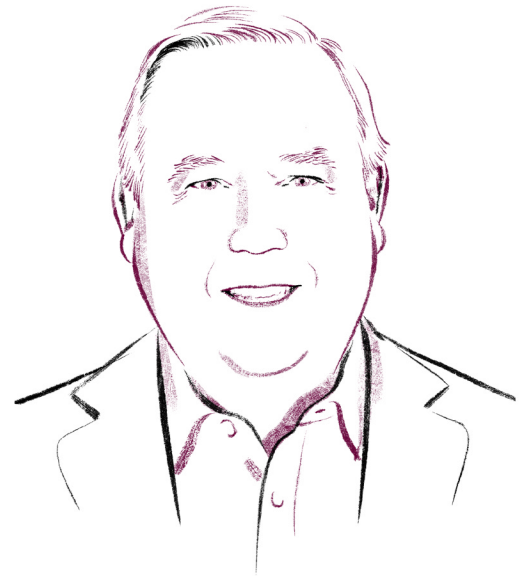
We asked readers of The Wall Street Journal who are considering renovating or relocating to share their biggest concerns about the decision-making process. Below is a sampling of popular questions, along with answers and insights from Berkshire Hathaway HomeServices' network leaders.

Q: I'm unsure about whether to renovate our current home or purchase a new build. What should I consider to help make a decision?

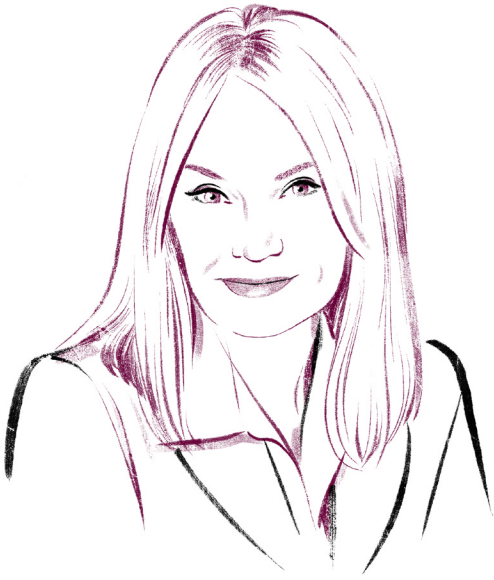
Stephen C. Roney, CEO and Owner, Berkshire Hathaway HomeServices Utah Properties: Many homeowners bought their homes when the interest rates were lower—let's say 3%—so naturally they are wary of losing that rate. If I had a client in that situation, who also really wanted to stay in their current neighborhood but needed to change their living situation, renovating instead of moving would likely be their best option. Whatever the cost is of updating your property—let's say it's \$100,000—you'll only be paying a higher interest rate on that incremental cost. So if you have a \$500,000 existing mortgage and you take out a secondary loan with a 7% rate, you're going to be paying that higher rate on a much smaller segment of your overall mortgage than if you had to take out a new mortgage to cover the cost of a new home purchase.

If you're more open about moving to a new neighborhood, I can tell you that developers across the U.S., but particularly here in Utah, have been building aggressively over the past few years, and they are not stopping. So there's a lot of inventory that is opening up for homebuyers to choose from. Developers can also sweeten the deal by using mortgage buy-downs to offset the costs of the higher interest rates that we're currently experiencing. That can be a huge selling point for potential buyers and make a new build the better financial decision for them.

Q: What about buying a fixer-upper to



Stephen Roney
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Martha Mosier
President
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California Properties

renovate? Is that more fiscally responsible than buying land to build on?

Martha Mosier, President, Berkshire Hathaway HomeServices California Properties: Whether you should buy a home that requires renovations or buy land to build really boils down to several key factors, including cost, time and personal preferences. A lot hinges on financing. Renovating a home typically proves to be a financially more prudent choice if you're going to be seeking financing. When financing a home that you plan on renovating, the upfront costs are often much lower versus buying land and constructing a new home. For instance, home mortgage rates right now are between 6% and 7%, and that's a lot more manageable than a 10% to 20% interest rate that you might be looking at for land and construction loans. And the cash down payments required on land and construction loans are often much higher.

You also have to think about additional costs beyond the financing considerations. Renovating a home offers several practical advantages. Since the structure already exists, navigating and planning the permitting process with local authorities tends to be a little easier and less scrutinized compared to building from scratch. The utilities you'll need in your home are already typically hooked up and working in an existing fixer-upper, which eliminates the need (and costs) to install electric, gas, sewer and water systems from scratch.

If you're building on raw land, there are so many different levels of inspection and approval processes that you need to go through that you don't necessarily have to go through with a renovation, depending on the scope of that renovation. All those inspections and permits cost both time and money, so it's definitely something worth considering if you're trying to decide between buying a fixer-upper and building on raw land.

Q: Can you share any recommendations on



which home renovations I should consider if I plan to sell within two to three years?

Stacy Mathews, CEO and Owner, Berkshire Hathaway

HomeServices Premier Properties: The curb appeal of the property is the first thing that a buyer sees when they pull up to the home. So if that's not updated, definitely consider refreshing the landscaping—it's just crucial for that first impression. When you get inside the property, I find the kitchen is one of the most sought after for renovations, followed by the bathrooms. If you have over a year before you plan on selling, put time and money into those improvements.

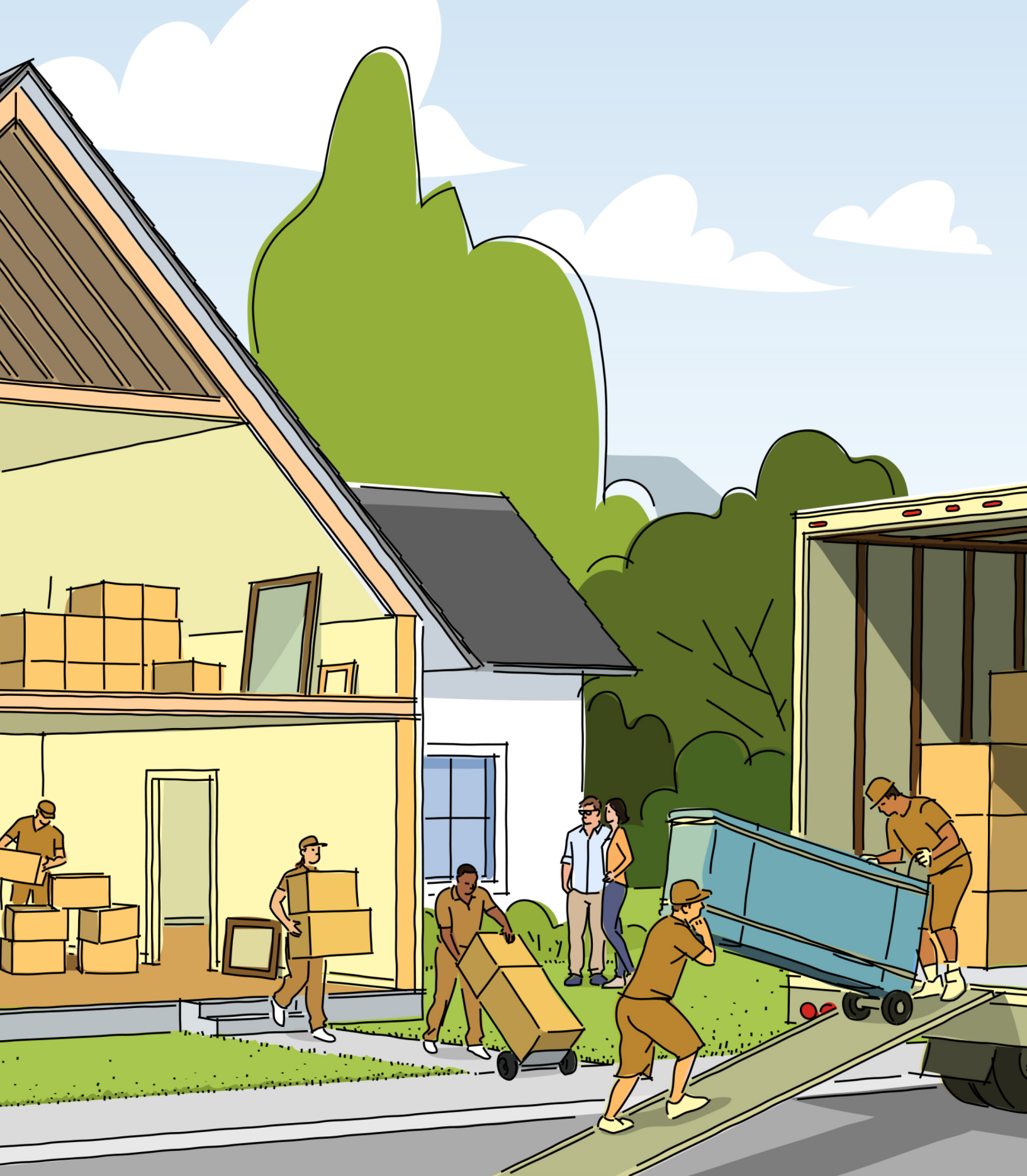
Another renovation project with a high return on investment is updating the flooring. If you have a house with hardwoods, I'd recommend having them refinished. Fresh carpet in high-traffic rooms goes a long way when it comes to a buyer's impression. Time those a bit closer to your move, for obvious reasons!

After you make those cosmetic improvements, take a look “under the hood” of your home. Have things like your electrical, plumbing and HVAC checked out. I can't tell you how many deals have been soured by a bad inspection, post-offer. Being proactive about making any fixes before you list your property can make the selling process that much more seamless and rewarding.

Learn more about the state of real estate at berkshirehathawayhs.com.



Stacy Mathews
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Premier Properties



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