

## Get a Bigger House or Stay Put? Both, with a Remodel

By Hudson Sangree

With a baby on the way earlier this year, Jeff and Meredith Schaff decided they needed more room than their small three-bedroom, one-bath starter home could provide.

"We definitely knew we needed a second bathroom," Jeff Schaff said.

But when they started looking at homes to buy, during a time of extremely tight inventory and sharply rising prices, they had a hard time finding anything in their price range that would fit their needs. Instead they decided to stay in Sacramento's Land Park neighborhood, on a street they like, and renovate their craftsman cottage by adding a second bath and walk-in closet and remodeling their kitchen.

They spent about \$100,000, and had to move in with Jeff Schaff's brother for four months, but they figured they saved \$75,000 over the cost of a similarly appointed resale home and got just what they wanted.

The Schaffs are among homeowners who, faced with the prospect of moving or taking on major renovations, are opting to remodel. Growing confidence in the economy, rising home equity and low interest rates are among the factors giving renewed energy to the remodeling industry, which went slack during the downturn, builders said.

"We haven't seen many projects this size in a while," said Mark Abrahams of Abrahams Construction, a residential remodeling specialist in Land Park, who renovated the Schaffs' home and has other jobs underway. "We're really happy to see these large investments come back."

The National Association of the Remodeling Industry, a trade association that represents 7,000 construction firms, said its most recent quarterly survey of builders showed growing business from homeowners based on improving home prices, economic growth and more certainty about the future. But the main driver of growth is homeowners who are undertaking renovations they put off in the recession and its aftermath, the survey suggested.

"We believe what's going on now are postponed projects," said Tom O'Grady, a builder in suburban Philadelphia who is on the association's board of directors and chair of its strategic planning and research committee. "People are more optimistic about their portfolios. That's what's driving all of this."

Abrahams said rising home values also give homeowners the sense that their investments will pay off. When values were sinking, they feared they would lose money from making major home improvements. Now that feeling is reversing, he said.

Another of his clients, Rochelle Kaye, said the sense that values were ticking up helped assure her and her husband that now was a good time to add a covered backyard patio with a fireplace to their Land Park house, a feature they had wanted for years.

"For us, at this point in our lives, we might as well do it now and enjoy it when the kids are here," Kaye said. "We know we're not going to lose money."

Others cited the relative affordability of remodels, with builders willing to negotiate on price during slower times and interest rates near record lows. Refinancings with cash outs, home equity loans and renovation loans are among the options for homeowners who can qualify under today's stricter lending standards.

Susan Zdarko said she refinanced in preparation for adding a second story to her Land Park cottage, also with Abrahams Construction.

"Interest rates are historically the lowest they've been in my lifetime," Zdarko said. "It was the perfect opportunity — and being able to get quality builders who were still on the slow side but recognizing that wouldn't last for much longer."

John Caulfield, owner of Landmark Builders in Granite Bay, said the lack of desirable resale inventory is a factor driving many homeowners to do major upgrades.

In Granite Bay, million-dollar homes on the market often still need significant work to bring them up to the standards of well-heeled buyers, he said. Sellers had put off upgrades during the downturn.

"Everything just sort of froze for six years," Caulfield said.

The result is that a number of homeowners he works with have done remodels costing \$200,000 to \$400,000, including gutting an entire interior or adding 2,000 square feet. By remodeling their own houses, they avoid hefty real estate commissions and moving costs.

"They see they're going to have to put money into what they're going to buy anyway," Caulfield said. "It makes them feel more comfortable about spending money on their own home."