

Should you RENOVATE or BUILD from SCRATCH?

Do your digs have the true potential to become your dream home? **Kaitlin Petersen**, editor in chief of trusted industry resource *Business of Home*, investigates.

When to... RENOVATE WHAT YOU HAVE

You're attached.

Whether it's the neighborhood, school system, or other local ties, a deep emotional connection "is a really good reason to take the time to change your space to make it suit your needs," says Laura Fenton, author of *The Little Book of Living Small*. "For those clients," adds Juliana Oliveira, principal of Dallas firm Beyond Interior Design, "we suggest renovation to increase square footage and fit their lifestyle."

Your new needs are short-term. A friend of Fenton's nearly left a beloved Brooklyn two-bedroom because their teens no longer wanted to share a room. "I said, 'Wait a second. Your daughter's going to be moving out in four years!'" she recalls. "They decided to do a light renovation, and they're so happy they invested in the home they have rather than look for a bigger one."

You love historic details.

Old homes often come with quirks and charm that can't be replicated in a new build, even with antiqued or upcycled finishes. Maybe it's just the fact that there are no right angles anywhere, but if a home's imperfections (or at least some of them) bring you joy, then you should stay.

Land isn't readily available. In many parts of the country, build-ready lots are in short supply. "As developers struggle to keep up with demand, it drives up land prices and makes it difficult for families to move up to a bigger, newly constructed home," says designer Emily Clark, who runs Boise, Idaho, design-build firm Clark & Co Homes with her husband, Dan. "If this is the case in your area, a major renovation may be a more cost-effective solution."

When to... BUILD FROM THE GROUND UP

Your family is struggling in your home. "It can be emotional for clients to realize that what they thought was going to be a great move really wasn't," says St. Louis designer Jacob Laws. But if a tricky layout is making it difficult to spend time together, or you're feeling too close in a cramped space, the home's bones and your family's needs just might not be a fit.

Starting over will cost less than renovating. If turning your house into your dream home requires a complete makeover, a fresh start might be a better fit, especially if your wish list requires moving walls, ducts, electrical, gas, or plumbing lines.

You want to plant roots. "If you plan to stay in the home 15 years or more, my recommendation would be to

build," Clark says. "When you work with a team to design a home from the ground up, you are able to plan and customize it in a way that it will serve you best. A major renovation can accomplish some of those goals, but you will be more limited by the existing footprint, ceiling heights, and utilities."

You want to put wellness first. Modern technology can be seamlessly folded into a new home. "It's hard to put a price on the benefits of working with a clean slate," says Clark. "Better flow and functionality, clean circulation, efficient heating and cooling, tall ceilings, and spaces customized to support your specific daily activities make a huge difference in your overall well-being."

EITHER WAY...

Have somewhere else to live. Besides the obvious downside of living in a construction site, "if [contractors] are tiptoeing around you and your family, you're going to pay for it," says Bruce Irving, a Boston-area real estate agent. "If they have to come in, set up, and then pack up day after day, it may be worth the cost of getting out of your house for a bit."

Consult (early) with experts about the costs. If you're buying a new property with plans to renovate, bring in the pros before you close. An architect or designer can help you outline a realistic vision for the home; contractors, too, can walk through a property and outline what you can expect to

spend based on your goals. "The real estate agent will tell you [the reno] will take six months and \$1 million because they want you to close," says Josh Wiener, founder of the luxury New York general contracting and construction management firm SilverLining. "I walk in and go, 'That's a year—and \$4 million.'"

Design for your family, not the next one. "You live in this house now," says Victoria Sass, who founded her Minneapolis-area design firm, Prospect Refuge Studio, with a focus on renovations that keep young families in old homes. "A long-term solution for you is a good solution, and ultimately it's the most sustainable thing."

6 SCENARIOS that could SCREW YOU UP



"It's like a marriage: Is this [house] the one, or are you trying to make it into something it'll never be?"

—VICTORIA SASS, PROSPECT REFUGE STUDIO

3. IT'S A HISTORIC PROPERTY.

AS CHARMING AS old homes can be, the realities of living in one can be daunting—and it's natural to want to make your own mark. "My job is to encourage people to preserve, but within the realm of reality,"

says preservationist Gabrielle Begue, a senior associate at the New Orleans firm MacRostie Historic Advisors. **"We're always balancing conservation motivations with practical needs, budget, and what's required for modern living."**

Do your research about what's possible before committing: Your state's historic preservation office should be able to tell you whether the house is in a historic district. These can govern anything from the look and feel of a neighborhood to the style of window treatments you can install—which means you may not be able to make all of the changes you'd hoped without city approval, whether or not your home is registered as a historic building. On the other hand, some municipalities have tax incentives for homeowners who want to keep a home's history alive. (Though note that they often dictate just how extensive your renovation can be.)



1. YOU DIDN'T BUILD OUT THE BUDGET.

ONLY ONE IN THREE renovation projects actually comes in on budget, according to a Houzz report. The primary reasons? Scope creep ("You might as well repair that while you're here"), extra work fixing a previous contractor's mistakes, and surprises after demolition. New builds come with their own eye-openers—not to mention expenses like land preparation, builder fees, or post-construction landscaping that homeowners may not have originally considered. Having funds reserved for the unexpected (**NerdWallet recommends creating a cash reserve of 10 to 20 percent of your project budget**) will make those costs less painful when they arrive, and help combat spending fatigue as the project winds down.

"People will spend hundreds of thousands of dollars restructuring a space and doing engineering modifications," Sass says. "But then they go cheap on something like lighting or the knobs on their cabinets. That light fixture might feel like a big splurge [after a costly renovation], but in the grand scope of the whole project, that's the piece that you're going to see [every day] and pass on to the next generation. Don't skimp on that just because you're tired of spending money."

2. YOU'RE TRYING TO RUSH IT.

AS YOU'RE WORKING on the project timeline, one word will be music to your contractor's ears: *preconstruction*. That's the time devoted to making all of your selections—everything from approving wood samples to choosing lighting fixtures (and making sure they're in stock). **Wiener says to budget two to three months (before you even break ground or start demo!) to get all your plans in order.** "Having all that stuff preapproved before you start swinging hammers is a huge benefit." Why? Because you're probably not as decisive as you think. "Our industry joke is that a lot of people know what they *don't* like, but they don't know what they *do* like," Wiener says. That's OK, of course, but it makes allowing time for the decision-making process all the more crucial.

And though it requires a bigger check up front, you'll ultimately save money by tackling your entire project all at once rather than breaking it into phases. "The bigger the pile of fixes you need, the more expensive it is—but the more likely that you'll get it at a better price," Irving says.

4. THERE'S A CO-OP BOARD TO CONSIDER.

LIVING IN A CONDO OR co-op can come with its own set of restrictions, thanks to codified rules that ensure you're respecting your neighbors. Many upgrades in an older building may not be a one-for-one swap: **Replacing old floors?** Some buildings will require a new floating floor (instead of resting the flooring on your downstairs neighbor's ceiling) to comply with codes designed with sound mitigation in mind.

The same goes for **upgrading an existing speaker system**, which could require sound-proofing the ceiling. Some buildings require you to **keep the floor plan intact** so that a high-traffic room isn't stacked on top of someone else's bedroom—meaning designated sleeping spaces can't be transformed into active spaces, potentially quashing your plan to turn that third bedroom into a den with a large TV.

5. YOU HATE MAKING DECISIONS.

THERE'S A COLD calculation to be made before committing to a path forward: "You're either going to pay someone to do something for you, or you're going to buy it from someone who's already done that and pay for the privilege of not having to do it," Irving says. "The first thing to consider is your personal bandwidth: The average decent-size renovation has something like 15,000 decisions nestled inside it—and even with the pros helping you, you'll be asked to make decisions over and over. That doesn't mean that selling your house and buying another one is a simple move, but you need to weigh them one against the other."

6. YOU DIDN'T KEEP RESALE IN MIND.

A 2019 STUDY by the National Association of Realtors Research Group estimated that a homeowner could expect to recover between 50 and 60 percent of the cost of most renovation projects in the value of the home—a \$75,000

boost in value on a \$150,000 reno of a new owner's suite, for example. (The biggest impact in terms of ROI? **Replacing or refinishing wood flooring, which saw a return of 100 to 106 percent.**) That said, where you renovate

matters if you've got resale in mind: Less than 1 percent of real estate pros said that a new owner's suite helped close a sale, while 20 percent reported that a kitchen upgrade sealed the deal for new buyers.