

SPECIAL REPORT

9 secrets to making your home renovation pay for itself!

As your mortgage broker; my only job is looking out for your best interest.



HEAD OFFICE: 101-3960 Quadra Street, Victoria, BC V8X 4A3
Toll Free: T 1-877-593-7738 F 1-877-651-7739

T 250-391-7678 F 250-391-7679
www.canadasbestmortgage.com

9 secrets to making your home renovation pay for itself!

Why move to an expensive new house when you can get all the new features you want in your existing home—without any net cost to you!



If your existing home has become outdated, cramped, inefficient, uncomfortable or too expensive to maintain, you may think buying a new house is the only alternative. But selling your existing home and buying again can be more expensive than you think. Factor in realtor fees, moving costs, legal fees, a potentially longer commute and decorating/furnishing expenses—and the price of a new home may be out of reach!

Fortunately, there's a better solution. Renovating your existing home can provide all the lifestyle enhancements you're looking for at a fraction of the cost. And if you renovate and refinance strategically, not only can your outlay be minimal, your increased asset value can be HUGE!

Of course, a key part of this renovation strategy is getting the right financial advice. As a mortgage broker, I understand the local home market and have access to the most innovative lending products available. Please consider my 9 Secrets, then contact me for a free consultation.

SECRET #1: Make sure you understand WHY you're renovating.

Before you go too far, stop for a minute and consider why you're renovating. Is it to make your home more liveable for you and your family? Or is it to make your home more marketable so it will sell at a higher price? Both of these are good reasons to renovate.

But an even better reason to renovate is to achieve BOTH! By making improvements that suit your lifestyle AND add value to your house, you can cover much—if not all—of your renovation expenses, so there's no net cost to you!

CASE STUDY #1:

Renovation saves over \$2,120/month and boosts property value by \$300,000!

Problem: The client’s home was seriously outdated and they were looking to move into a new home with all of the comforts: cathedral ceilings, palladium windows and a spacious master bathroom. The lowest priced home with these features would cost close to \$4,000 a month even if they put a 25% down payment on the purchase. To make matters worse, the daily commute would be *an hour longer each way!*

Solution: After assessing their options, the clients decided to renovate the home that they were going to sell. They added a whole second story to the existing structure which included two extra bedrooms and a bath. They added cathedral ceilings throughout the downstairs and the existing kitchen and baths, including the master bath which was also doubled in size. The recommended architects were very creative and were so reasonably priced, there was money left over to add palladium windows as well.

Result: By opting for the renovation, this family saved themselves over \$2,100 per month in added expenses not to mention the added hassle of moving. For only \$150 more a month, the clients had a dream home without sacrificing their prime location!

Buying New Home vs. Reno Cost Comparison			
	Buy New Home	Renovation	Savings Due to Reno
Realtor Fees	\$30,000	N/A	-
Down Payment	\$162,500	N/A	-
Out of Pocket Costs to Buy New Home	\$192,500	N/A	\$192,500
Financing Needed	\$487,500	\$200,000	-
Monthly Mortgage Payment	\$3700/month	\$2580/month	\$1,120/month
Monthly Payment on High Interest Credit Cards:	\$1000	Everything was rolled into new mortgage above	\$1,000/month
Property Value Increase Due to Home Reno	N/A	\$300,000	-
Total Monthly Savings of Doing Renovation vs. Buying New →			\$2,120/month

SECRET #2: Choose a renovation that delivers as high a return as possible.

Not all home renovations are created equal. Sure, almost all improvements increase the resale value of your home. But the increase may not always be enough to pay for the cost of the improvement. To make your renovations pay back as much as possible, it's important to keep in mind what future buyers want, as well as what you want.



Fortunately, the renovations with the biggest pay-back are usually the ones you're likely to want too. Here are the TOP THREE renovations for return on investment:

RENOVATION	RETURN ON INVESTMENT
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Kitchen (see SECRET #3)	75% - 100%
Bathroom (see SECRET #4)	75% - 100%
Interior/Exterior painting (see SECRET #5)	50% - 100%

If the renovation you had in mind isn't in the top three, here's a list of the renovations that offer AVERAGE pay-back potential:

Roof shingle replacement	50% - 80%
Furnace/heating system	50% - 80%
Basement renovation	50% - 75%
Recreation room addition	50% - 75%
Installing a fireplace	50% - 75%
Flooring	50% - 75%
Constructing a garage	50% - 75%
Window/door replacement	50% - 75%
Building a deck	50% - 75%
Central air conditioning	25% - 75%

(Based on data from AIC 2006 Renovations and Home Improvement Survey.)

SECRET #3: How to make your new kitchen increase your home's value.

OK, so you've decided to renovate your kitchen. Great choice! Now here are the improvements you—and future buyers—are likely to find most appealing.

Open wide. Your kitchen should be the nucleus of your home, not an isolated warren that people visit only at feeding time. Consider removing walls between the kitchen and dining room or den. This gives your home an open feeling, as opposed to the chopped up look of outdated homes.

Triangulate. Create a triangle between the refrigerator, stove and sink so you can move efficiently from point to point. Ideally, the sides of the triangle should be 4-9 feet. Include an island if space allows.



Lighten up. Lighting should illuminate while setting a warm mood. Replace harsh overheads with hanging lights above work areas or recessed lighting under cabinets. Install dimmers. Lighting can create a dramatic difference very inexpensively!

Resurface. Painting or re-facing old kitchen cabinets and adding new door pulls makes a huge difference at minimal cost. Install hardwood or tile flooring. For extra drama (if it fits your budget), replace the countertop with natural stone.

Replace. Get rid of brightly coloured or outdated appliances and replace with energy-efficient built-ins.

SECRET #4: How to make your new bathroom increase your home's value.

Whether you're renovating an existing bathroom or adding a new one, chances are you'll recoup most of your costs at resale time. Again, here's what adds the most value for you and potential buyers.

Shiny and new. One truth about real estate is that buyers like new stuff. This is especially true in the bathroom where steam and water make fixtures age rapidly. New tubs, sinks and toilets should be white or cream. For extra pizzazz add a steam shower or whirlpool tub.

Resurface. As in the kitchen, paint or reface old cabinets and add new door pulls. Textured or slate tiles make great flooring, especially if they're heated.

Lighten up. Make the room look airy and new with bright yet warm lighting and large unframed mirrors.

Maximize space. Choose a small but deep tub, and a tall but compact toilet. Eliminate cabinets and vanities, and install a behind-the-mirror cabinet or cut a niche into the wall. Choose a sleek wall-mounted or pedestal sink, the smaller the better. Use towel rings rather than rods.



SECRET #5: How to increase your home's value by painting.



Painting is so inexpensive —roughly 75¢ per square foot— yet it pays for itself in visual appeal and resale value.

Inside your house, warm and neutral colours such as bisque, cream, fawn, grey, walnut or soft green are often best for quick sale because they're inoffensive and easy to cover. But you may prefer decorator shades, like vibrant red, bronzed orange, grey/brown or grey/green. Often these decorator shades have strong appeal for buyers too, but it may take a little longer to find the right buyer. Fortunately, it's quick and inexpensive to change colours at resale if you have to.

The decision's a little easier outside where natural colours like taupe, grey, olive, gold and warm brown are both stylish and easy to sell.

SECRET #6: Energy savings and safety should also be considerations.

Up to now, we've been discussing renovations that enhance appearance, convenience and luxury. But there's also value in more practical considerations. How much your house costs to operate, how green it is and how safe your family feels are equally important to you and future buyers. Here are some things that can save money—and may save your life!

- Energy efficient furnaces and air conditioners
- Improved insulation
- Energy efficient windows
- Ceiling fans in rooms with high ceilings to push warm air down
- Heat circulating fireplaces
- Low flow and dual flush toilets
- Flood alarms and wired-in CO and smoke detectors
- Security systems



Some of these items can be expensive, but over time the money you save on heat, light and water can pay for the upgrades—and make your home more appealing to buyers! For instance, installing an energy efficient furnace and air conditioner can cut energy consumption by 50%. You may also save on insurance by installing security systems and other hazard prevention devices.

CASE STUDY #2:

Renovation Saves Home Business Owners \$11,400 a Year!

Problem: A tiny kitchen... the clients had no room to entertain friends and business associates. They couldn't enjoy their passion for cooking. They had gotten their mortgage when they were just starting out in business, but it had just adjusted. Having built a successful company, they were so busy in their daily lives that they just couldn't make the time to move. They felt squeezed from all directions.

Solution: The clients expanded the kitchen into an open floor plan extending into a large room with a fireplace. Guests could mingle while they whipped up

course after gourmet course. The fireplace was energy efficient and heated the whole house. They enlarged the home office which had been next to the kitchen, creating two offices – both with great closet space and windows overlooking the garden. If they ever wanted to sell, the offices were large and would easily qualify as bedrooms. The extra office allowed them to have their assistant on site and eliminated the need for outside space or rent. This saved them \$950 monthly.

Result: Clients instantly added \$180,000 to the value of their home while saving \$950 a month!

Pre-Reno vs. Post-Reno Comparison			
	Pre-Reno	Post-Reno	Net Result of the Reno
Financing Needed to Complete Reno	N/A	\$110,000	—
Monthly Mortgage Payment:	\$4025	\$4175	\$150/month Increase
Monthly Payment on Outside Office Space	\$1200	ARM Refinance into Fixed Rate Loan at 7%	\$1,200/month Saved
Appraised Value	\$695,000	\$875,000	\$180,000 Increase
Property Tax (Monthly)	\$325	\$425	\$100/month Increase
Appraised Value	\$695,000	\$875,000	\$180,000 Increase
Total Savings of Doing Renovation →			\$950/month

SECRET #7: Always keep marketability in mind.

Taking a strategic approach to renovations means thinking about future saleability every step of the way. Here are some important considerations:

- The more recent the improvement, the higher the return on investment.
- Even if your renovations don't recoup their entire cost, they usually make your home sell faster.
- If your home's market value is above the average for



your neighbourhood, expect a relatively low return on renovations. But if your home is below the average, your return will be much higher.

- Renovations offer a better payback if you live in an appreciating neighbourhood.
- If the homes in your neighbourhood all have family rooms or third bedrooms, it pays to bring your house in line.
- For maximum resale value, renovations shouldn't raise the value of your house more than 10-15% above the median sale price of other houses in your area.

SECRET #8: Be sure you understand all the financial details before you start.

There's no point calculating how much your renovations will pay back if you can't afford to do them in the first place. You need to be absolutely clear on the costs before you begin. Get quotes from at least two local renovators, architectural firms or materials suppliers. Then, take the most reasonable quote and add 10-15% for unexpected costs.

To save money, you may be able to do some simpler steps yourself—like painting—but don't overextend yourself and end up with an unfinished or substandard job. You may also be eligible for incentives from utilities or governments for energy-efficiency upgrades.

A home renovation requires a careful budget. As a mortgage broker, I can provide helpful advice at this stage. Not only do I know what tends to sell best in the local market, I can also do a financial analysis of your plans and realities, and recommend a strategy that fits your needs best.

SECRET #9: How to make your home pay for your renovations.

Now that you know what you want to accomplish and how much it's going to cost, I can show you where to find the cash. If you've lived in your home for a while, chances are you've built up substantial equity. Here are two affordable ways to access that equity to pay for your renovations.

Refinancing your existing mortgage. Since interest rates are dropping, your newly refinanced mortgage may carry a lower rate than your previous loan. And

even though your mortgage balance will be higher —to cover the renovation costs— I can often keep your payments the same by extending your amortization period. I may even be able to accommodate debt consolidation into the refinance, so you'll save on total interest costs as well as increasing your home's value!

A home equity line of credit (HELOC). This is a line of credit secured against your home's current value. HELOC's usually have an adjustable interest rate, which is an advantage in a falling rate environment. Like any line of credit, a HELOC approves you for the full amount you need, but you only access it —and pay interest on it— as you need it. This makes it a good option if you need to pay contractors in stages. You also have the flexibility to make interest-only payments or make additional lump sum payments as desired.

I'll sit down with you, discuss these and other options, and recommend the renovation/financing strategy that maximizes current affordability AND future payback!

CASE STUDY #3:

Paradise Found For Only \$390 per Month!

Problem: The clients loved their park-like yard, but the small house seemed like a dot in the middle of a football field. It had two closet sized bedrooms for their eight year old twin boys and their seven year old daughter. There was no dedicated activity room for the children. Even though their mortgage payment was low, they were paying \$2,500 every month in credit cards and car payments. They knew that they should be saving money on a regular basis but just hadn't gotten around to setting it up.

Solution: The clients knocked down walls in the children's bedrooms. They expanded that space and created a playroom. They added three large bedrooms and two baths. Each child could have their own room. They replaced all of the windows in the house. Even though they increased their living space, the new windows would save them at least \$900 a year in heating and air conditioning. They put a swimming pool and gazebo in their beautiful yard. They paid off their credit card debt and took some cash out of the equity in their home to start a college fund for the children. The clients couldn't imagine ever leaving their piece of heaven.

Result: For only \$390 more monthly, the clients now have their dream home with a swimming pool, gazebo and all the other bells and whistles. The renovation increased their property value by \$495,000. Plus, their college fund will have a minimum of \$133,000 in ten years!

Pre-Reno vs. Post-Reno Comparison			
	Pre-Reno	Post-Reno	Net Result of the Reno
Cash Out Into Interest Bearing Account For College and Other Expenses at 8%	N/A	\$60,000	\$133,160/In 10 Years Liquid Fund
Financing Needed to Complete Reno	N/A	\$275,000	\$1,605/month
Monthly Mortgage Payment:	\$1,295	\$4,145	\$2,850/month
Monthly Debt: Credit Cards and Car Payment	\$2,500	Refinance Loan at 7%	\$1,580/month saved
Heating & Air Conditioning Savings	N/A	\$75/month	\$75/month saved
Property Tax (Monthly)	\$300	\$475	\$60/Monthly Tax Benefit
Appraised Value	\$680,000	\$1,175,000	\$495,000 Increase

**Still not sure whether to buy or renovate?
Call me today at 877-593-7738!**

Making decisions about your biggest financial investment can be scary. As your mortgage broker, I can put your mind at ease by listening to your dreams, analyzing your plans and gauging your financial realities. Then together, we'll crunch all the numbers and come up with a plan that results in the best solution for you and your family, at the lowest possible cost.

Yes, you CAN get all the lifestyle enhancements of a new home WITHOUT any net cost to you! Let me show you the way.



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Lance Cook

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