

Orchard

# What home improvements have the best ROI?



02 KEY FINDINGS

03 HOME MAINTENANCE IS NOT HOME IMPROVEMENT  
WHAT ROI REALLY MEANS

04 MOST WORTHWHILE PROJECT: KITCHEN REMODEL

05 OTHER WORTHWHILE IMPROVEMENTS

06 CASH IS KING FOR FINANCING HOME IMPROVEMENT

07 CHOOSE THE RIGHT ENERGY-EFFICIENT UPGRADE

08 A NEW WAY TO UPGRADE YOUR HOME FOR SELLERS

# What home improvements have the best ROI?

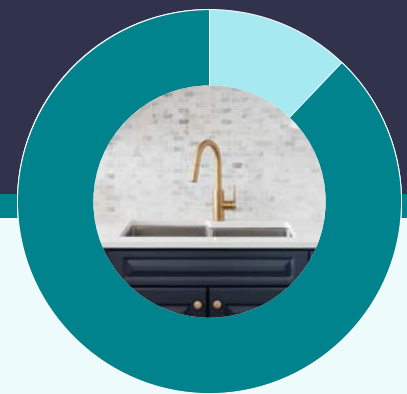
The squeeze on money has hit the real estate industry hard. Mortgage demand is down by nearly 30%, and the formerly strong seller's market has transformed into a more even playing field.

With so many challenges to buying a new home and selling your current one, homeowners are having to do more to make their homes appealing – either to themselves or to potential buyers.

**So how can homeowners and sellers choose home improvement projects that will net them the biggest return on their investment?** We surveyed our field staff – consisting of real estate agents and renovation experts – in six markets across the country to find out which home improvements net the highest ROI.

## KEY FINDINGS

- 1** A kitchen remodel was far and away the most recommended home improvement project to boost home value
- 2** New flooring, countertops, and fresh paint were also highly recommended by our staff as projects with high ROI.
- 3** Home improvement is best left to the professionals, according to our experts. Only one respondent suggested that homeowners consider taking on the work themselves.
- 4** When it comes to the best and worst ways to finance a remodel, the results are clear: Over half of our staff recommend financing with cash, while 75% say credit cards are the worst way to pay for home renovations.



**85%**

**KITCHEN REMODEL**  
most recommended  
home improvement  
project

## Home improvement is not home maintenance

One common theme emerging from our survey is that home maintenance is not the same as home improvement.

“The biggest misconception is that common home features that buyers expect to work, like a new roof, or HVAC, can increase home value. While these functional elements can be a reason people pay less for a home, they usually are not a reason people will pay more,” says Christina Kenny, a Service Advisor in Atlanta.

Think of it this way: home improvement makes your home bigger, better, and/or more modern. [Home maintenance](#) keeps it in good working condition. Both are important to ensuring your home sells fast and for the most money, but improvement can boost your home value, while home maintenance will simply maintain it.

[Related: How much money do you lose selling a house as-is?](#)

## What ROI really means

Another theme emerged from our data: Before taking on home renovations, you should understand what ROI really entails.

A **return on investment** is profit that you earn after deducting the expenses of a venture. In home improvement terms, ROI is the difference between what you paid for the renovation, and the boost to your home value that it may (or may not) give you.

Many people are accustomed to expecting a positive ROI – where the resale value is

higher than the expenses of investment. But that’s not often the case in home improvement.

“You will most likely not get a dollar for dollar return,” according to Wade Williams, an Orchard Listing Agent in Austin. “However, you will ensure that your home [sells faster](#) and for more money than a dated home in need of repair.” While home sellers might not see a positive ROI, that competitive edge can be priceless.



$$\text{ROI} = \frac{\text{PROFIT GAINED}}{\text{COST OF INVESTMENT}} \times 100$$

### LOW ROI DOESN'T HAVE TO BE A DEALBREAKER

Williams’ point was echoed by many of our respondents, who underlined the importance of using metrics other than money to determine the returns on various home improvement projects.

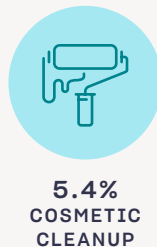
“Price is not the only factor home improvements impact. They decrease the days on the market for a property, increase the leverage you have in negotiations, and the number of showings,” points out Corbett Austin, a Service Advisor in Austin.

These factors are especially important for home sellers or homeowners who plan to sell in the near future. **If you’re in this position, speak to a real estate expert to help you choose the best home improvements to sell your house faster and for more money.**

## Most worthwhile project: Kitchen remodel

A kitchen remodel was the clear winner of the home renovation project with the highest ROI, with 86% of respondents recommending it over other things like a bedroom or bathroom remodel, or adding an ADU.

Which of the following major home renovations is **most worthwhile** in terms of boosting home value?



But not all kitchen remodels are created equal. “People focus on complete kitchen remodels and don’t understand they could potentially lose thousands of dollars if they don’t choose their materials wisely,” says Michael Duffy, a Service Advisor based in Austin.

Consider this: You invest \$30,000 to remodel your kitchen in the hopes of boosting your home value. As a part of the project, you budget \$22,000 for new countertops, cabinets, and floors, and \$8,000 for replacing your appliances, which are in good working order but not new.

To stay on budget, you choose mid-to-lower end materials. What you may not have realized **you’re better off keeping your slightly outdated appliances** and allocating that \$8,000 for mid-to-higher end materials for your countertops, cabinets, and floors. Those are the types of materials buyers in your neighborhood seek out, and those are the types of investments that will really boost your home value.

Duffy suggests consulting an expert before taking on these projects to make sure you maximize your dollar for the best ROI.

### GRANITE REIGNS SUPREME AS THE BEST COUNTERTOP MATERIAL

Our experts recommend granite as the countertop material with the best ROI. While it may have a higher price point than some alternatives, investing in this classic choice will appeal to buyers because of its luxury and durability.

**Materials like epoxy or formica, don’t have the same appeal.** These materials may be cheaper to install, but won’t help entice buyers or give you more leverage in closing.

## Other worthwhile improvements

Aesthetic improvements like new flooring, countertops, and a [fresh coat of paint](#) followed a kitchen remodel as top choices for value boosting renovations.

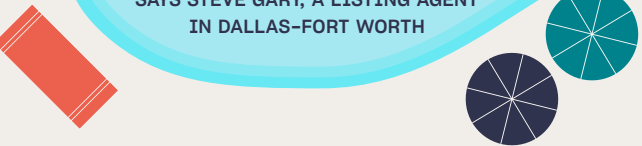
Amenities like [adding a new pool](#), hot tub or jacuzzi, and installing heated flooring ranked as renovations with the lowest ROI.

It might seem surprising that these luxury features would have such a low return on investment, but when you consider the upkeep necessary for amenities like hot tubs and pools – which can cost as much as \$200 per month to maintain – the diminishing returns make sense. Still, these renovations might be worth it for you if you plan on staying in the house and utilizing them.

“

**POOLS ARE NOT A GOOD FINANCIAL INVESTMENT – THE ROI IS APPROXIMATELY 30% OF WHAT YOU PAID – BUT IF YOU HAVE CHILDREN, THEY’RE PRICELESS BECAUSE YOU KNOW WHERE YOUR CHILDREN WILL BE PLAYING ALL SUMMER.”**

SAYS STEVE GARY, A LISTING AGENT IN DALLAS-FORT WORTH



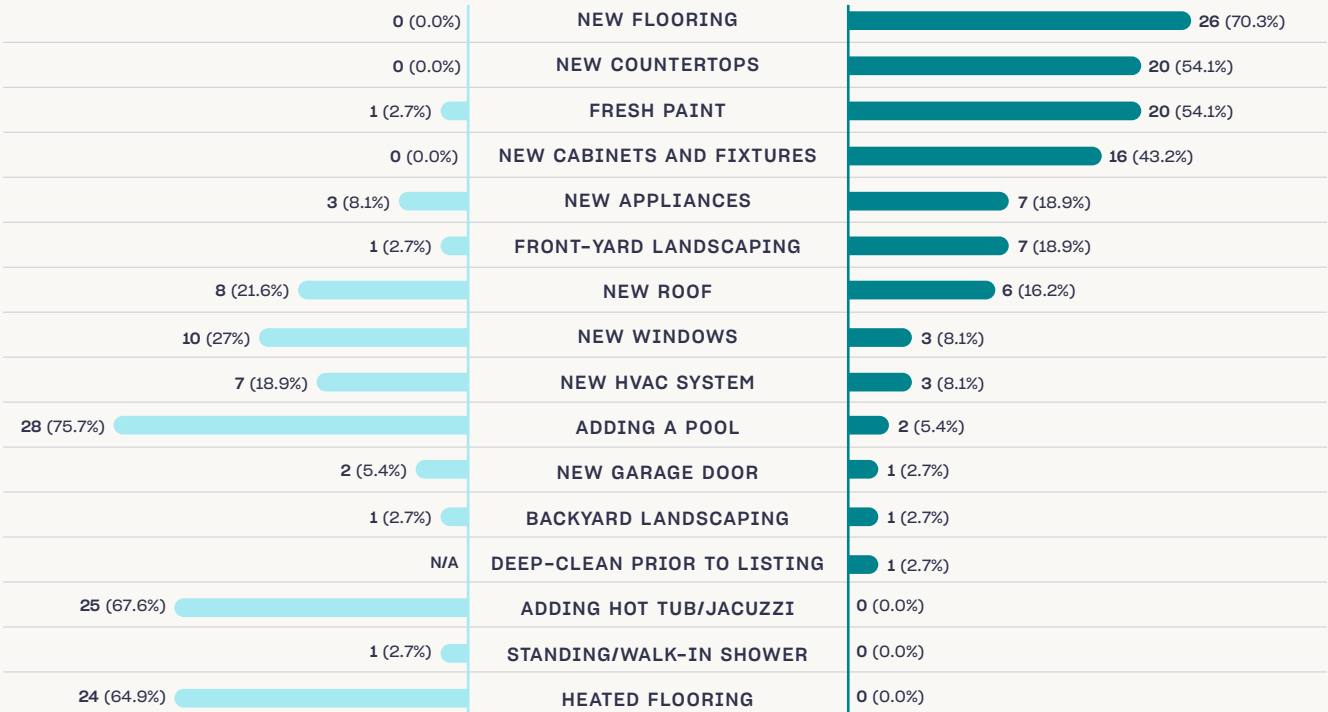
### BEST KIND OF FLOORING

Like countertops, not all flooring choices have the same value boosting benefits. Hardwood flooring and tile ranked as the top recommended materials, while carpet and laminate came in last.

Of the following popular improvements, which three have the lowest ROI? highest ROI?

LOWEST ROI

HIGHEST ROI





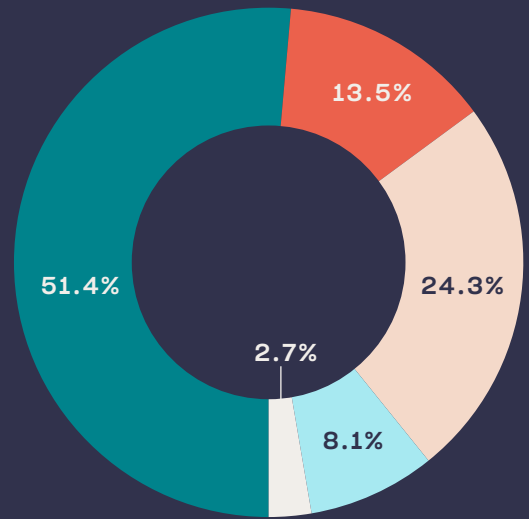
## Cash is king for financing home improvement

Just over half of our respondents recommend financing home improvement with cash. This zero-interest option can help homeowners get the most out of their investment by not having to pay additional financing fees on top of it.

But for homeowners who can't afford to finance their renovations with cash, a [Home Equity Line of Credit \(HELOC\)](#) is a solid option, recommended by almost 25% of our respondents.

A HELOC lets homeowners turn their home equity into a line of credit that they can access during a predetermined draw period (like a credit card with a spending limit of however much equity you want to tap into).

Which of the following is, in your opinion, the **best** way to finance a home improvement project?



- CASH
- HELOC
- HOME EQUITY LOAN
- PERSONAL LOANS
- CREDIT CARDS

HELOCs are a strong option because they allow homeowners to use as little or as much of it as they need and keep their overhead low. However, these are variable-rate loans; changing interest rates can make it difficult to budget monthly payments, so borrowers should be prepared.

## Choose the right energy-efficient upgrade

Green upgrades are increasingly important to homebuyers, with as much as 90% preferring a more expensive energy-efficient home to a cheaper, less green alternative.

Our experts recommend energy-efficient windows, upgrading your insulation, or adding a programmable thermostat as high ROI options. But they caution against installing solar panels, as they can actually hurt your home value.

It all comes down to how solar panels (and other capital intensive features) are financed. If you choose a lease to purchase your solar panels, the lender will remain the system's legal owner. So in order to sell your house (and the attached solar panels), homeowners have to buy out the lease or transfer it to the buyer – both of which can slow down the home sale and disincentivize potential buyers from putting in a competitive offer.

Put simply, “Anything that still has a loan attached to it (like solar) or that gives the installer a tax break (also like solar) is not a benefit to a new buyer,” says Nicholas George, a Sales Advisor based in Austin. That means this green update is better left to homeowners who will be in their home for many years to come.



## A new way to upgrade your home for sellers

When preparing to sell your home, home improvement can feel like a necessary evil: You do it to sell faster and for more money, but coordinating the work is the last thing you want to spend money on or add to your to-do list. For homeowners in this position, **Orchard's Concierge service offers value-boosting upgrades** to your home helping you sell faster and for more money. We'll recommend suggested repairs and even handle the contractors.

[Interested in learning more?](#) Get started with a free home valuation – our estimates are 30% more accurate.

### METHODOLOGY

Orchard's Agent Survey was collected through an online poll of our field staff in Atlanta, Austin, Dallas-Fort Worth, Denver, Houston, and San Antonio. This includes licensed real estate agents and our expert Concierge staff.



## About Orchard

In a world where buying anything has become as simple as “point, click, purchase,” Orchard is bringing that same ease to life’s biggest financial decision – buying a home.

We combine brokerage, mortgage, title, and technology to make the obstacles that lie between our customers and the home of their dreams simply disappear. Orchard customers win their next home, skip the traditional home sale hassles, and ultimately get to enjoy the experience. It’s the new way to home.

Go to [orch.co/homeROI](https://orch.co/homeROI)  
or click below to learn more.

[Get started](#)

