

Texas Remodel Valuation Report
2016 Edition
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About the Texas Remodel Valuation Report

The Texas Remodel Valuation Report is based on data from the 2016 Cost vs. Value Report by the National Association of REALTORS® and *Remodeling* magazine. The Texas Association of REALTORS® distributes insights about the Texas housing market each month, including quarterly market statistics, trends among homebuyers and sellers, luxury home sales, international trends, and more. To view the Texas Remodel Valuation Report in its entirety, visit TexasRealEstate.com.

About the Texas Association of REALTORS®

With more than 100,000 members, the Texas Association of REALTORS® is a professional membership organization that represents all aspects of real estate in Texas. We advocate on behalf of Texas REALTORS® and private-property owners to keep homeownership affordable, protect private-property rights, and promote public policies that benefit homeowners. Visit TexasRealEstate.com to learn more.



Executive Summary

Remodeling projects continue to be popular and profitable in Texas. A growing number of Texas homebuyers prefer to buy a lower-priced home and remodel it to suit their exact needs or make the home more energy efficient. More and more Texas homesellers are also seeing the value in investing in a few strategically chosen projects before listing to sell their home faster and potentially at a higher price.

Both nationally and in Texas's six major markets, one or more remodeling projects recouped 100 percent or more of project costs in 2015. Home remodeling projects in Houston, McAllen, and El Paso showed the highest year-over-year growth in profitability, while a majority of remodeling projects in Austin, San Antonio, and Dallas declined slightly in profitability from 2014 to 2015.

In 2015, the most popular home remodeling projects in Texas's major markets were those that increased a home's sustainability or functionality. This includes increasing a home's curb appeal or energy efficiency. Fiberglass attic insulation ranked among the top five projects in most markets, recouping up to 163.4 percent of project costs. Manufactured stone veneer projects were also popular across Texas, recouping up to 157.9 percent of project costs.

Unlike in previous reports, remodeling projects that maximized a home's existing square footage were among the least profitable projects in 2015. Bathroom, deck, and master suite additions consistently ranked among the least in markets nationally and in Texas, recouping as little as 25.5 percent of project costs. In general, upscale or luxury projects continue to be less profitable than smaller or mid-level projects.

There are many factors that go into whether a remodeling project is a good fit for a home in addition to impact on resale value, such as the homeowner's expected tenure in the house and, for energy-efficient upgrades, how long it will take the project to pay for itself in cost savings. Texas REALTORS® can help homeowners, buyers, and sellers determine which remodeling projects are the best fits for the short term as well as further down the road.

Market-Wide Trends

Both nationally and in Texas, the top home remodeling projects in 2015 were those that increased the functionality and sustainability of the home, by improving either a home's curb appeal or energy efficiency.

- **Fiberglass attic insulation**, a popular option for increasing a home's energy efficiency, ranked among the top five most profitable projects nationwide, in the West South Central U.S., and in Austin, Dallas, El Paso, Houston, San Antonio, and McAllen, Texas. Fiberglass attic insulation recouped up to 163.4 percent of the total project cost.
- **Manufactured stone veneer**, a lower-cost alternative for siding, fireplaces, and other stone projects, ranked among the top five most profitable projects in all Texas markets with the exception of Houston. Manufactured stone veneer projects recouped up to 157.9 percent of the total project cost.
- **Garage door replacements**, one of the easiest ways to quickly boost a home's curb appeal, ranked among the top five most profitable projects nationwide, in the West South Central U.S., and in Austin, Dallas, El Paso, Houston, and San Antonio. Garage door replacements recouped up to 112.1 percent of the total project cost.
- **Steel entry door replacements**, a frequently popular project in Texas Remodel Valuation Reports, continued to be a highly profitable project across most all markets, recouping up to 163.1 percent of the total project cost.

Market-Wide Trends, continued

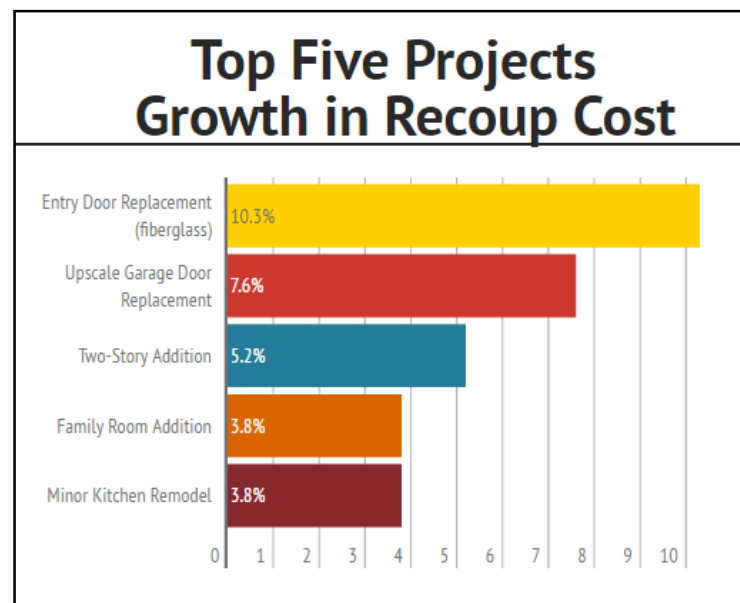
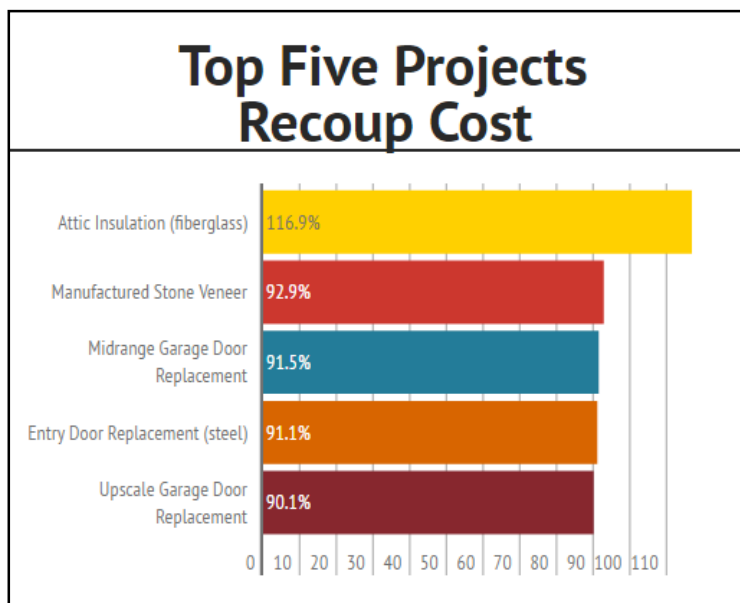
Unlike in previous Texas Remodel Valuation Reports, projects that added livable square footage to a home were among the least profitable projects in 2015. Luxury or upscale remodeling projects continued to be among the least profitable projects for the third year in a row.

- **Bathroom additions and/or remodeling projects** of all sizes ranked among the least profitable projects in all markets except McAllen. Bathroom remodels and additions recouped as little as 25.5 percent and 28.8 percent of total project costs, respectively.
- **Deck additions**, whether constructed from composite materials or wood, were ranked among the five least-profitable projects in all markets. Deck additions recouped as little as 28.6 percent of the total project cost.
- **Master suite additions**, consistently ranked among the least profitable home remodeling projects each year, were again among the five least profitable projects in Austin, El Paso, Houston, and San Antonio as well as in the West South Central U.S. and nationally. Master suite additions recouped as little as 25.8 percent of the total project cost.
- **Backup power generators**, one of the most profitable home remodeling projects nationally and in multiple Texas markets for the past two years, saw significant decreases in profitability in 2015. The installation of backup power generators recouped as little as 49.7 percent of the total project cost.

Nationwide

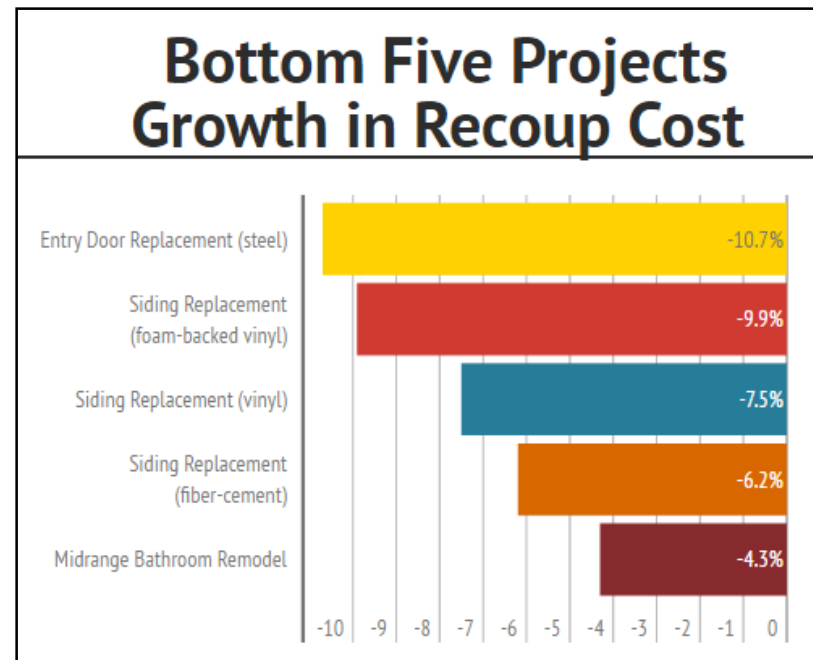
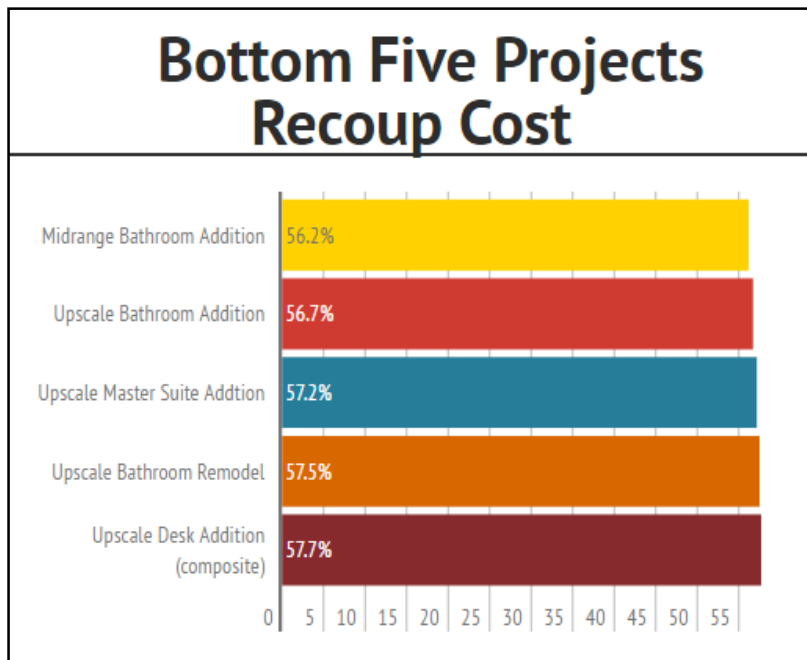
Nationally, the profitability of home remodeling projects remained on pace with prior reports, with roughly half of the remodeling projects studied showing losses in recoup cost in 2015.

- Fiberglass attic insulation was the most profitable project nationwide, recouping 116.9 percent (\$1,482) of the total project cost. Because this project category was added in 2015, historical comparisons are not available.
- Fiberglass entry door replacements showed the highest annual gain in recoup cost in 2015. The recoup cost increased 10 percentage points year-over-year to recoup 82.3 percent (\$2,574) of the total project cost.
- The five most profitable projects recouped an average 96.5 percent of the total project cost – 6.0 percentage points more than 2014. The five projects with the highest growth in recoup costs increased an average of 6.1 percentage points year over year, compared to an average year-over-year increase of 2.6 percentage points in 2014.



Nationwide, continued

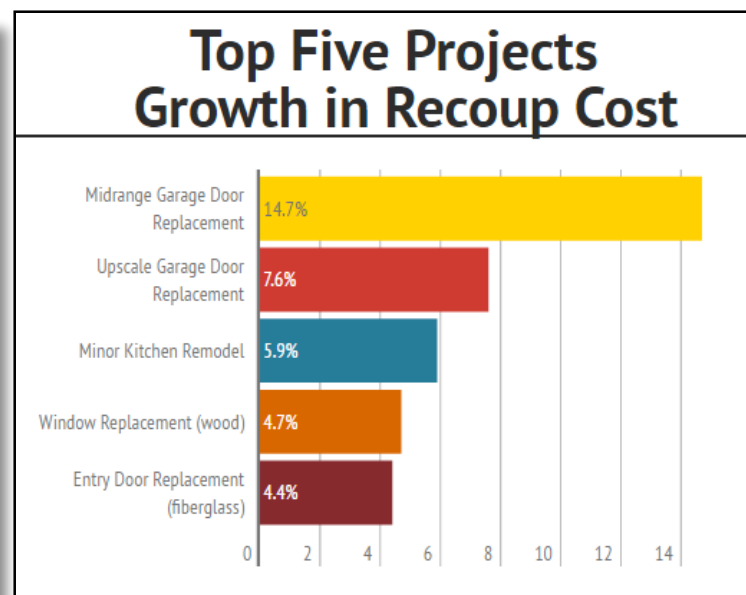
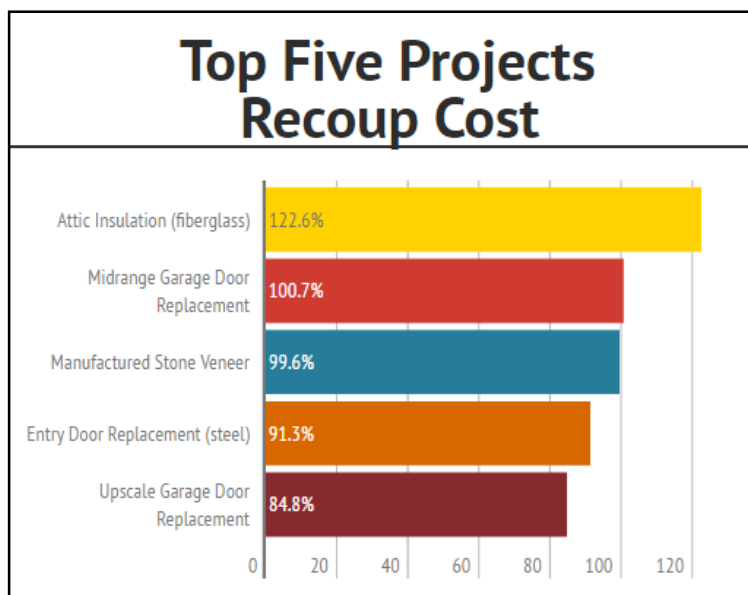
- Midrange bathroom additions were the least profitable project, recouping 56.2 percent (\$23,727) of the total project cost. This is a 1.6 percentage point decline in recoup cost from 2014.
- Steel entry door replacements, while still mostly profitable, showed the largest decline in recoup cost from 2014 to 2015. Recoup cost dropped 10.7 percentage points year-over-year to 91.1 percent (\$1,217) of the total project cost.
- The five least profitable projects recouped an average 57 percent of the total project cost – 4.4 percentage points more than 2014. The five projects with biggest decline in recoup costs decreased an average of 7.7 percentage points year over year, compared to an average year-over-year decline in recoup costs of 7.1 percentage points in 2014.



West South Central U.S.

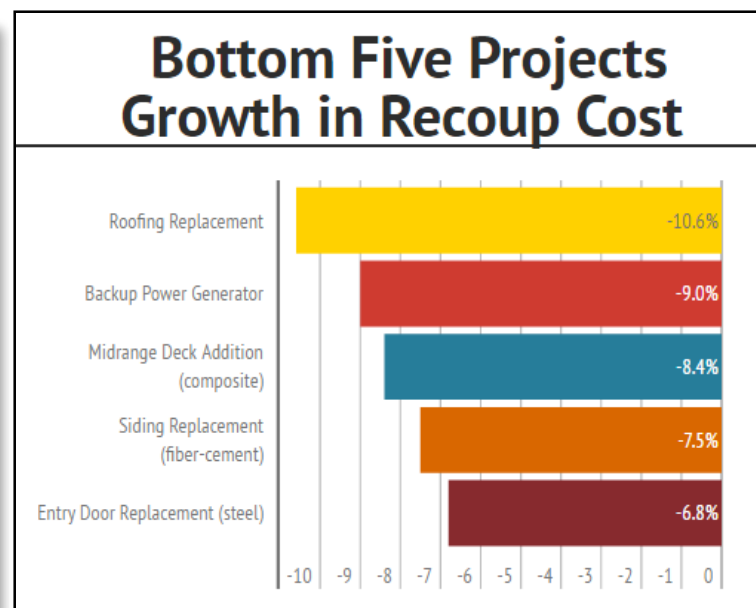
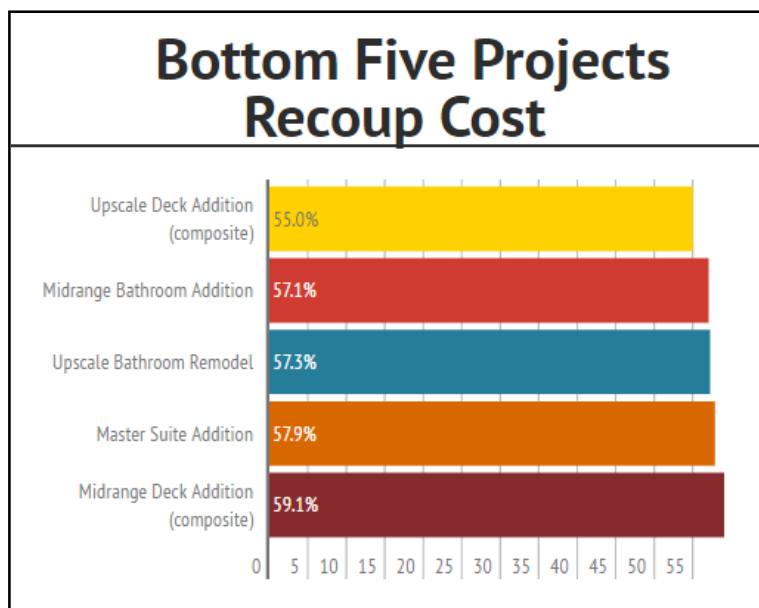
Home remodeling projects in the West South Central U.S. were also less profitable in 2015 compared to 2014, with recoup costs ranging between 55 percent and 122.6 percent.

- Fiberglass attic insulations were the most profitable project, recouping 122.6 percent (\$1,505) of the total project cost. Because this project category was added in 2015, historical comparisons are not available.
- Midrange garage door replacements – last year the project with the highest year-over-year increase in recoup costs – once again showed the highest year-over-year gain in recoup cost in 2015. The recoup cost increased 14.7 percentage points year-over-year to recoup 100.7 percent (\$1,544) of the total project cost.
- The five most profitable projects recouped an average 99.8 percent of the total project cost – 10.3 percentage points more than 2014. The five projects with highest growth in recoup costs increased an average of 7.5 percentage points, compared to an average year-over-year increase of 4.9 percentage points in 2014.



West South Central U.S., continued

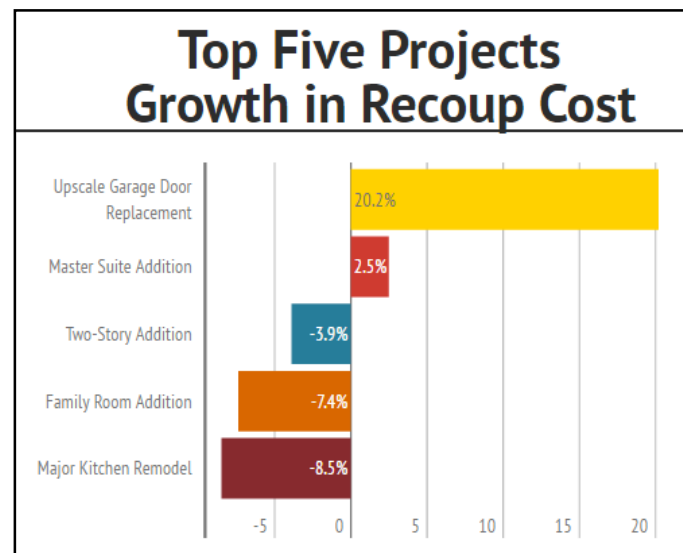
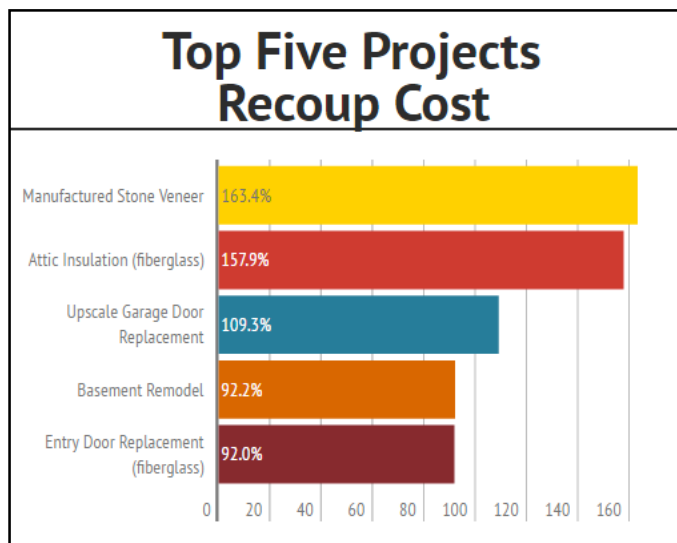
- Upscale composite deck additions were the least profitable project, recouping 55 percent (\$19,500) of the total project cost. This is a decrease of 5.9 percentage points from 2014.
- Roofing replacements showed the largest decline in recoup cost from 2014 to 2015, with recoup cost declining 10.6 percentage points year-over-year to 71.4 percent (\$13,210) of the total project cost.
- The five least profitable projects recouped an average 57.3 percent of the total project cost – 2.4 percentage points more than 2014. The five projects with largest declines in recoup costs dropped an average of 8.5 percentage points, compared to an average year-over-year decline of 13.66 percentage points in 2014.



Austin

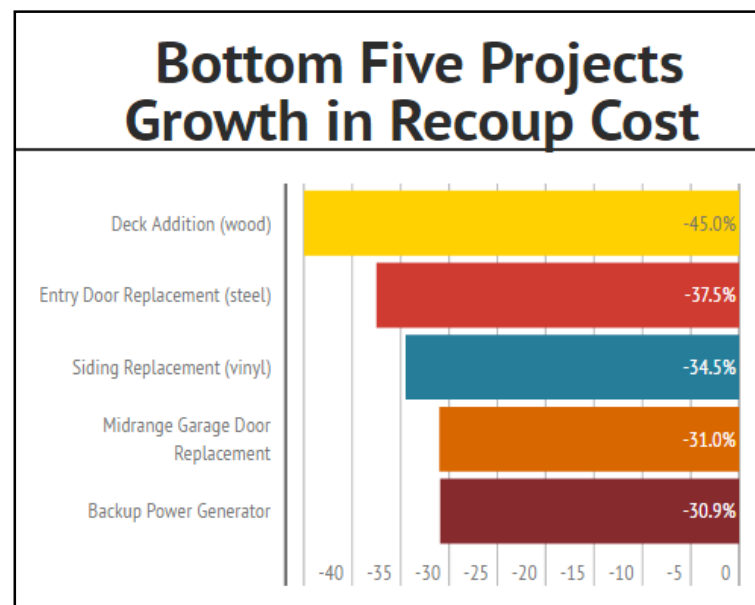
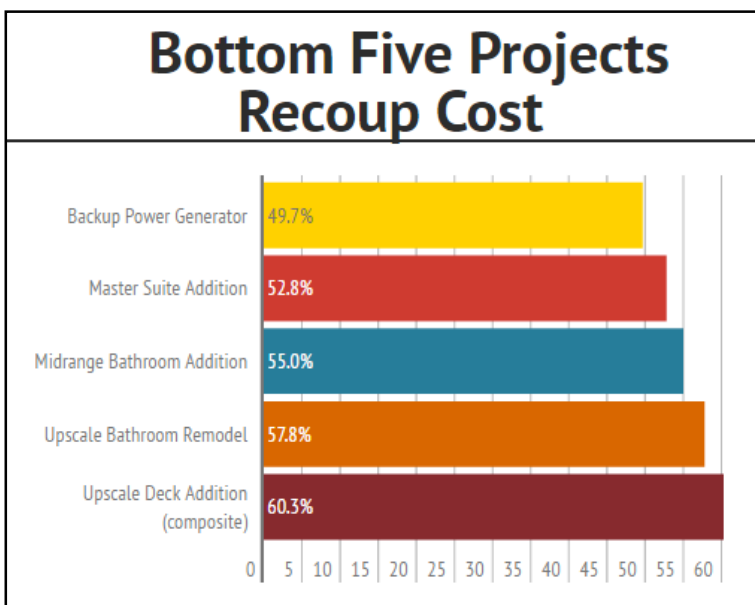
Home remodeling projects in Austin showed the highest recoup costs among Texas’s major markets as well as year-over-year declines in profitability, with recoup costs ranging between 49.7 percent and 163.4 percent.

- Manufactured stone veneer projects were the most profitable projects in 2015, recouping 163.4 percent (\$12,283) of the total project cost. Because this project category was added in 2015, historical comparisons are not available.
- Upscale garage door replacements showed the highest year-over-year increase in recoup cost in 2015, increasing 20.2 percentage points year-over-year to recoup 109.3 percent (\$3,347) of the total project cost.
- The five most profitable projects recouped an average 123 percent of the total project cost – 9.3 percentage points more than 2014. However, only two projects showed year-over-year gains in recoup costs in 2015, for an average increase of 11.4 percentage points. This compares to an average year-over-year increase of 26.6 percentage points in 2014.



Austin, continued

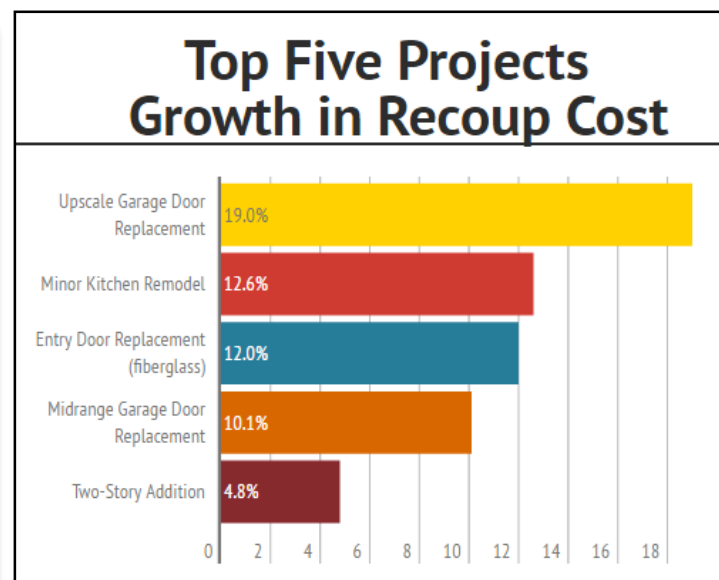
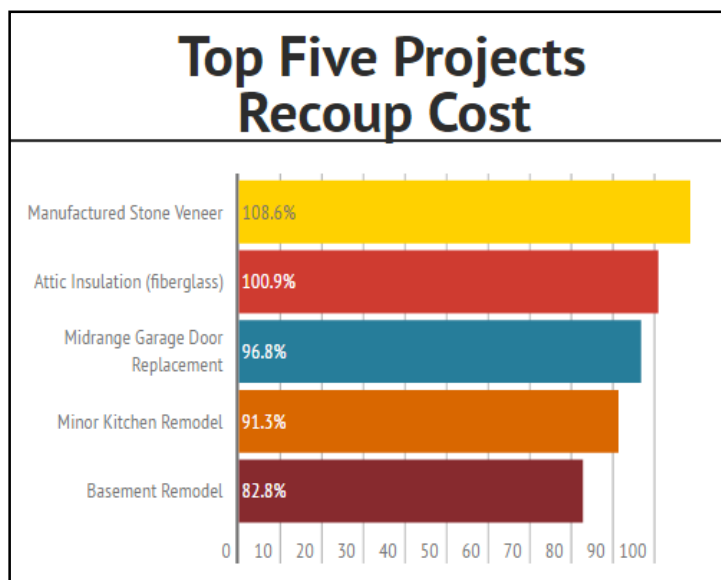
- Backup power generators were the least profitable project, recouping 49.7 percent (\$6,042) of the total project cost. This is a 30.9 percentage point decrease from 2014.
- Wood deck additions showed the largest decline in recoup cost from 2014 to 2015, with recoup cost dropping 45 percentage points year-over-year to recoup 71 percent (\$6,385) of the total project cost.
- The five least profitable projects recouped an average 55.1 percent of the total project cost – 7.5 percentage points less than 2014. The five projects with largest year-over-year decreases in recoup costs decreased an average of 35.8 percentage points, compared to an average year-over-year decrease of 9.1 percentage points in 2014.



Dallas

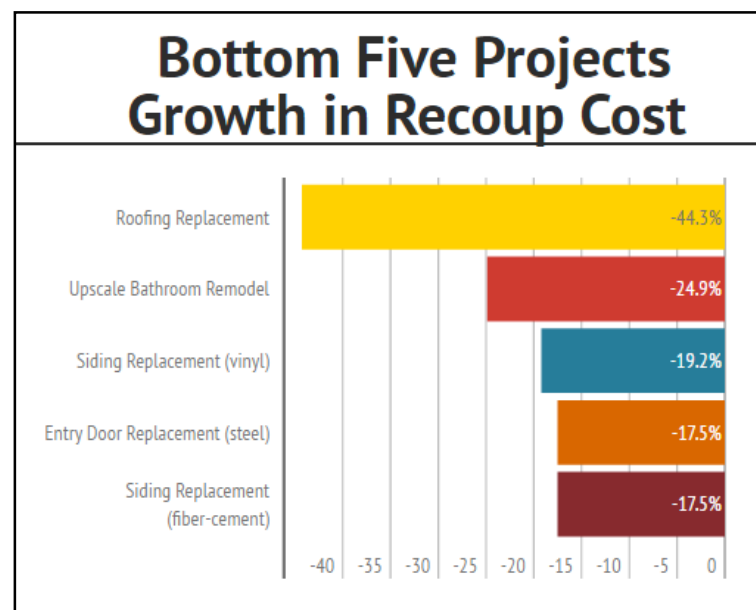
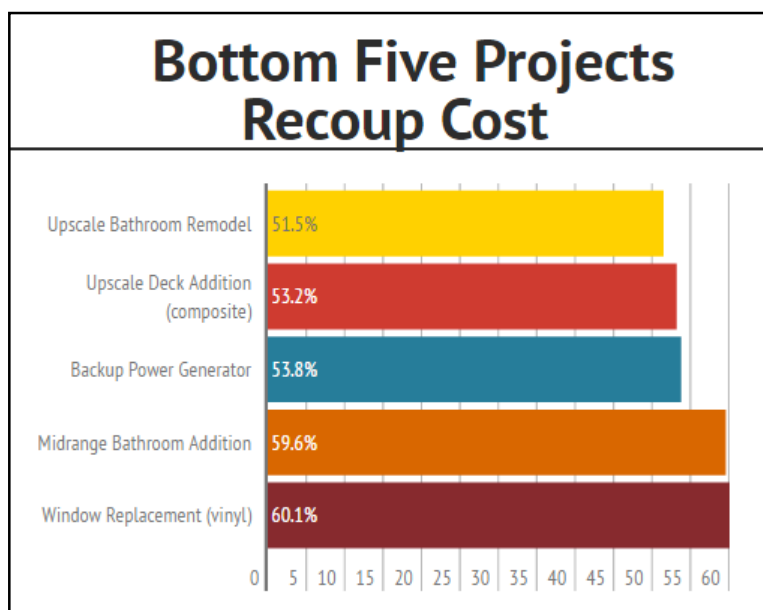
The profitability of most home remodeling projects in Dallas declined slightly in 2015, with recoup costs ranging between 51.5 percent and 108.6 percent.

- Manufactured stone veneer projects were the most profitable projects in 2015, recouping 108.6 percent (\$7,920) of the total project cost. Because this project category was added in 2015, historical comparisons are not available.
- Upscale garage door replacements once again showed the highest annual gain in recoup cost in 2015, increasing 19 percentage points year-over-year to recoup 82.2 percent (\$2,550) of the total project cost.
- The five most profitable projects recouped an average 96.1 percent of the total project cost – 2.4 percentage points less than 2014. The five projects with highest year-over-year increase in recoup costs increased an average of 11.7 percentage points, compared to an average year-over-year increase of 22.28 percentage points in 2014.



Dallas, continued

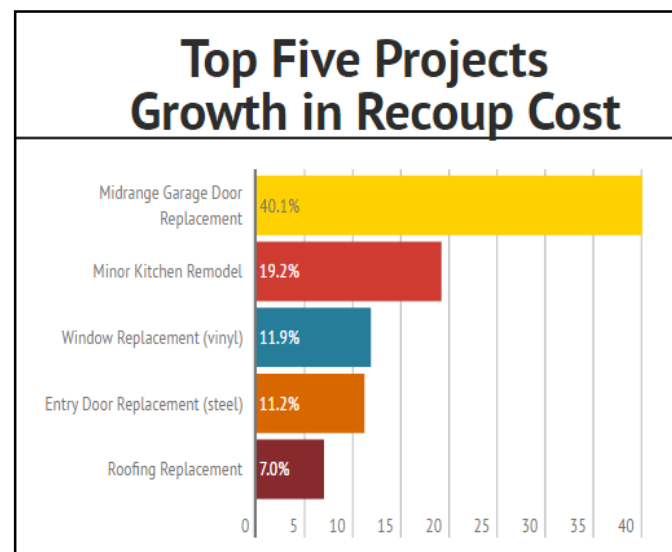
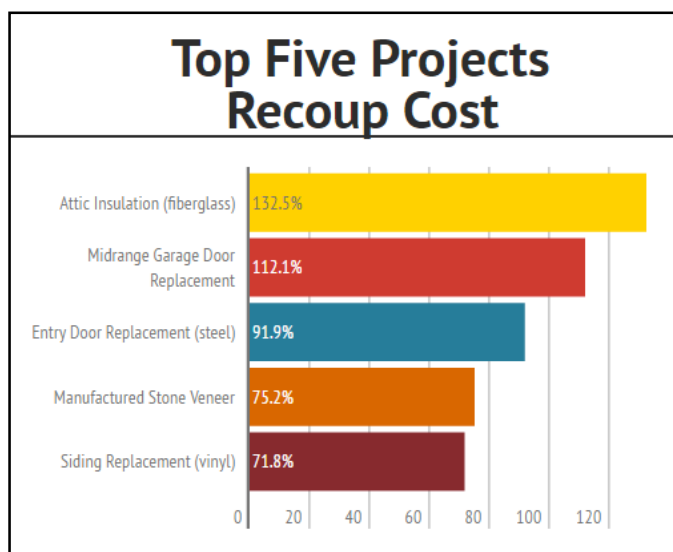
- Upscale bathroom remodels were the least profitable project, recouping 51.5 percent (\$28,618) of the total project cost. This is a 24.9 percentage point decrease from 2014.
- Roofing replacements showed the greatest decline in recoup cost from 2014 to 2015, with recoup cost decreasing 44.3 percentage points year-over-year to recoup 70.2 percent (\$13,548) of the total project cost.
- The five least profitable projects recouped an average 55.6 percent of the total project cost – 1.8 percentage points more than 2014. The five projects with largest year-over-year declines in recoup costs decreased an average of 24.6 percentage points, compared to an average year-over-year decline of 18.78 percentage points in 2014.



El Paso

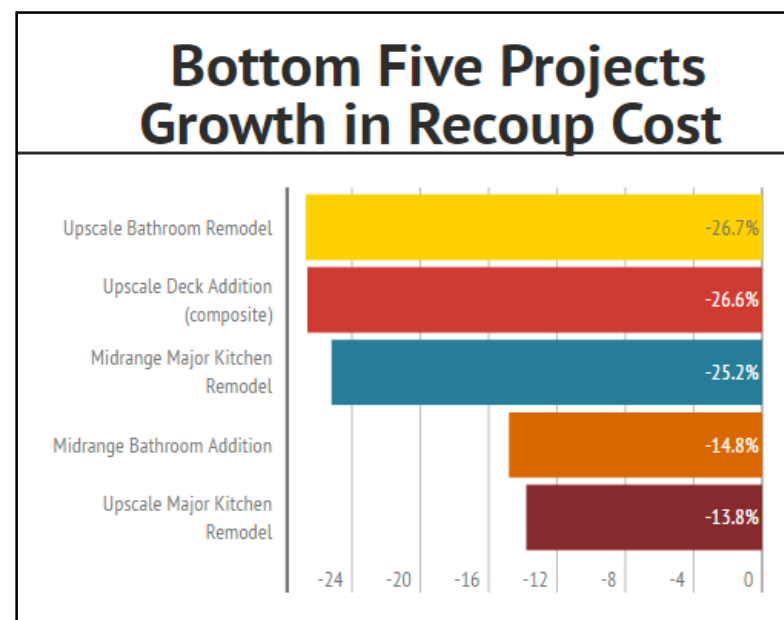
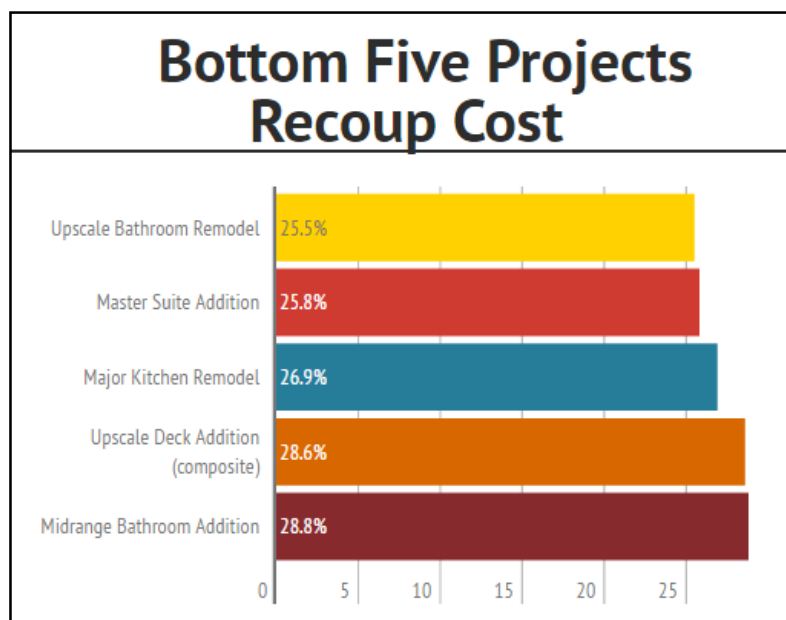
Previously the least profitable major Texas market for home remodeling projects, El Paso was the third-most profitable market for remodeling projects in 2015, with recoup costs ranging between 25.5 percent and 132.5 percent.

- Fiberglass attic insulation was the most profitable project, recouping 132.5 percent (\$1,633) of the total project cost. Because this project category was added in 2015, historical comparisons are not available.
- Midrange garage door replacements showed the highest annual gain in recoup cost in 2015, increasing 40.1 percentage points year-over-year to recoup 112.1 percent (\$1,667) of the total project cost.
- The five most profitable projects recouped an average 96.7 percent of the total project cost – 24.4 percentage points more than 2014. The five projects with highest year-over-year increases in recoup costs increased an average of 17.9 percentage points, compared to an average year-over-year increase of 2.88 percentage points in 2014.



El Paso, continued

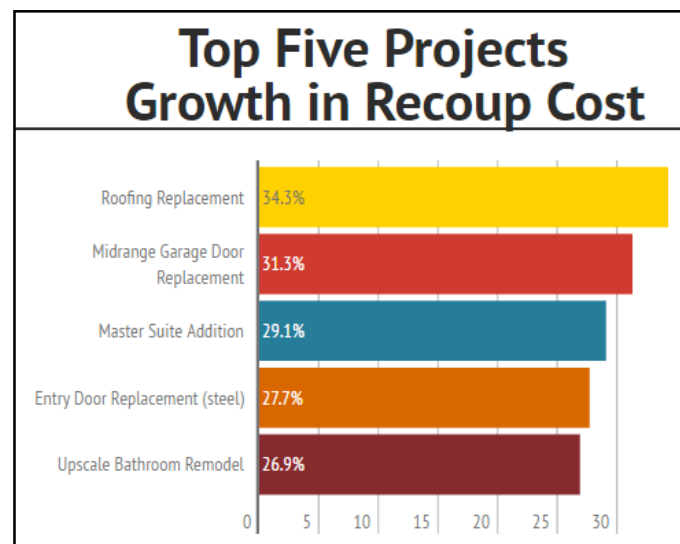
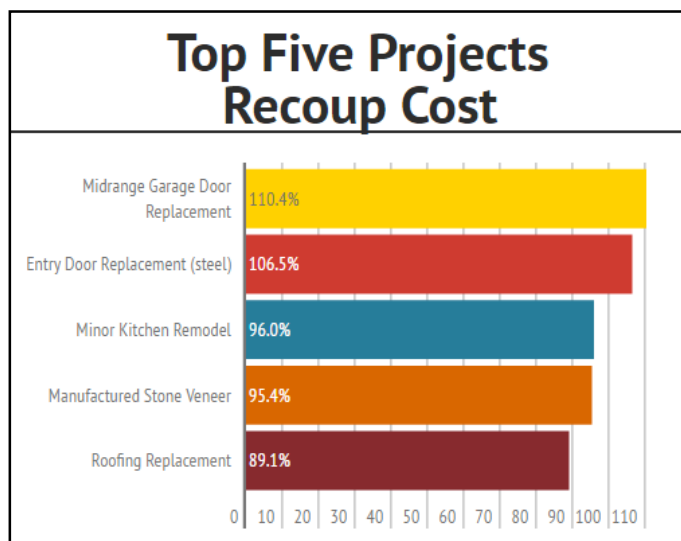
- Upscale bathroom remodels were the least profitable project, recouping 25.5 percent (\$13,750) of the total project cost, a 26.7 percentage point decrease from 2014. Upscale bathroom remodels also showed the greatest year-over-year decline in recoup cost, with recoup cost dropping 26.7 percent from 2014.
- The five least profitable projects recouped an average 27.1 percent of the total project cost – 11.4 percentage points less than 2014. The five projects with largest year-over-year declines in recoup costs decreased an average of 21.4 percentage points, compared to an average year-over-year decline of 64.42 percentage points in 2014.



Houston

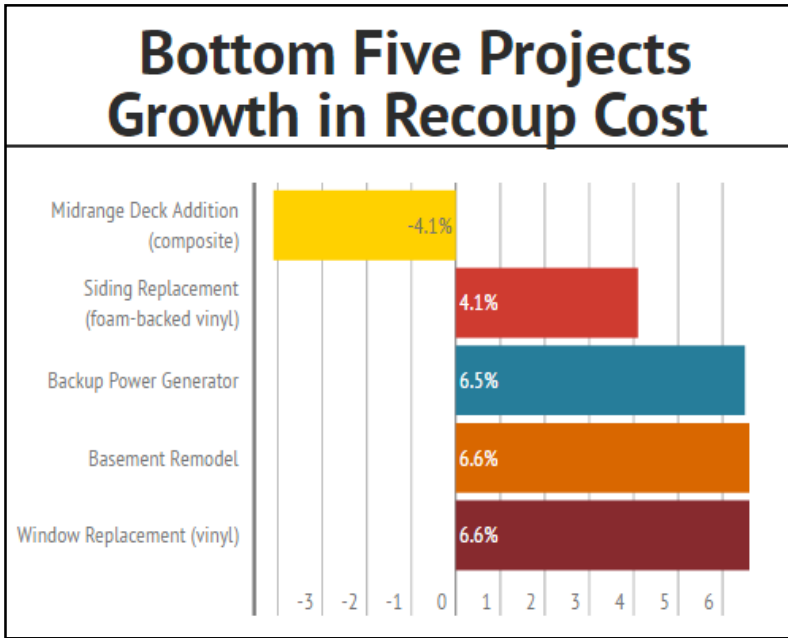
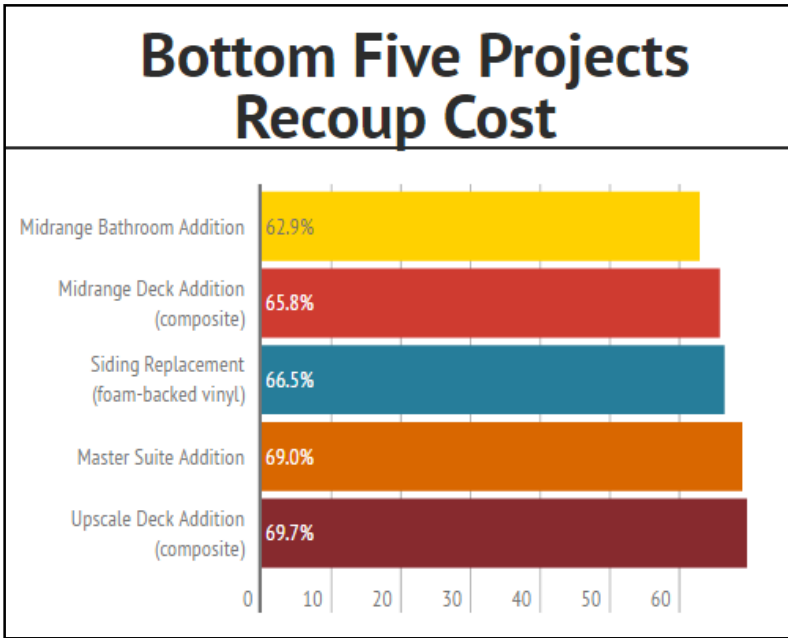
The profitability of home remodeling projects in Houston bounced back in 2015, with nearly all projects gaining recoup cost value from the year prior. Recoup costs ranged from 62.9 percent and 110.4 percent of the total project cost.

- Midrange garage door replacements were the most profitable project, recouping 110.4 percent (\$1,702) of the total project cost. This is a 31.3 percentage point increase from 2014.
- Roofing replacements showed the highest annual gain in recoup cost in 2015, increasing 34.3 percentage points year-over-year to recoup 89.1 percent (\$16,602) of the total project cost.
- The five most profitable projects recouped an average 99.5 percent of the total project cost – 20.8 percentage points more than 2014 – whereas the five projects with fastest-growing recoup costs increased an average of 29.9 percentage points, compared to an average year-over-year *decline* of 3.22 percentage points in 2014.



Houston, continued

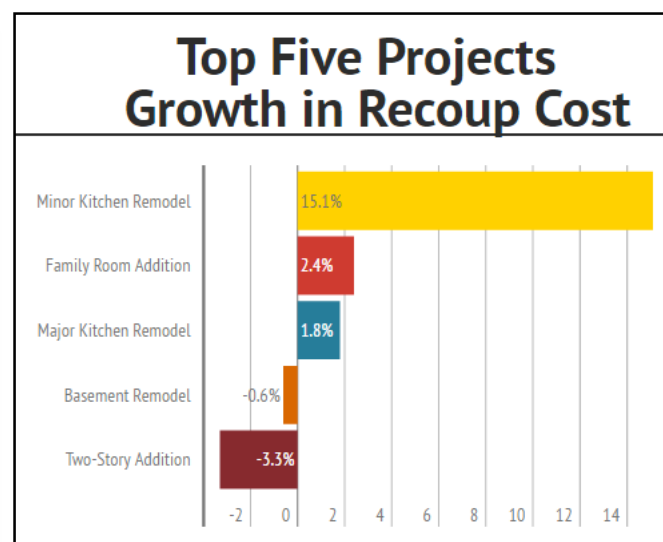
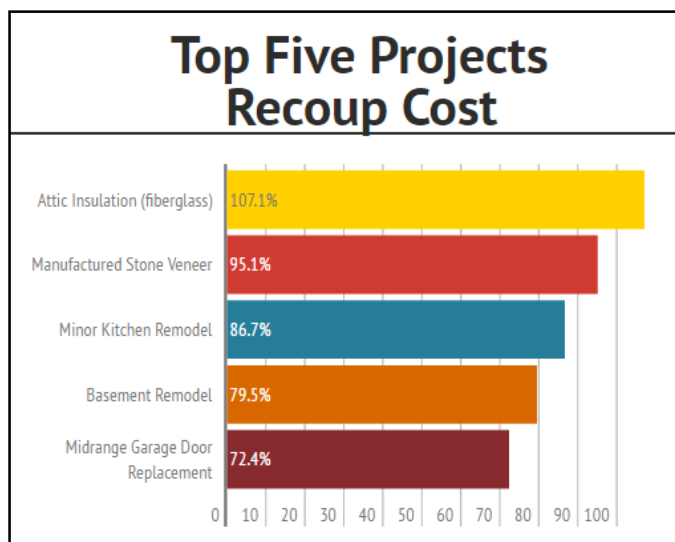
- Midrange bathroom additions were the least profitable project, recouping 62.9 percent (\$24,294) of the total project cost. This is a 15.5 percentage point increase from 2014.
- Midrange composite deck additions showed the greatest loss in recoup cost from 2014 to 2015, with recoup cost dropping 4.1 percentage points year-over-year to recoup 65.8 percent (\$10,389) of the total project cost.
- The five least profitable projects recouped an average 66.78 percent of the total project cost – 17 percentage points more than 2014. The five projects with a year-over-year decrease (midrange composite deck additions) or the smallest annual increase in recoup costs increased an average 3.94 percentage points, compared to an average year-over-year decline of 26.26 percentage points in 2014.



San Antonio

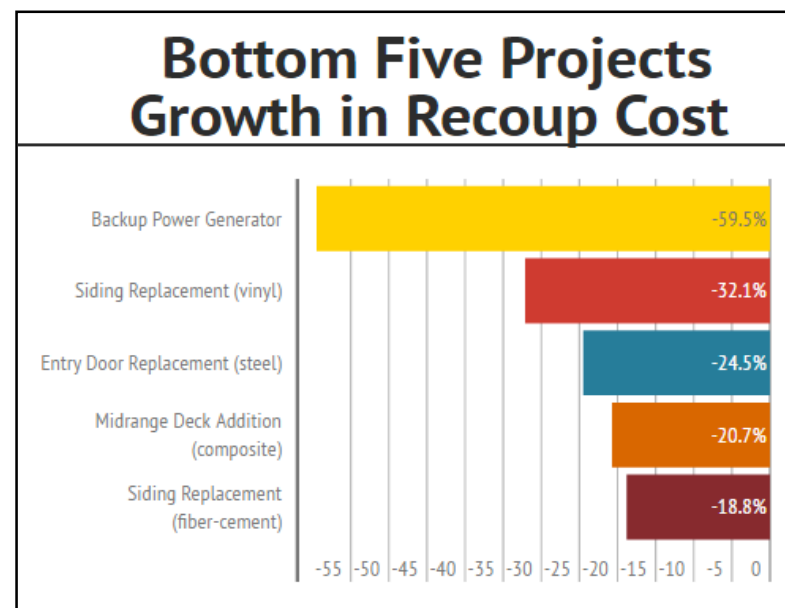
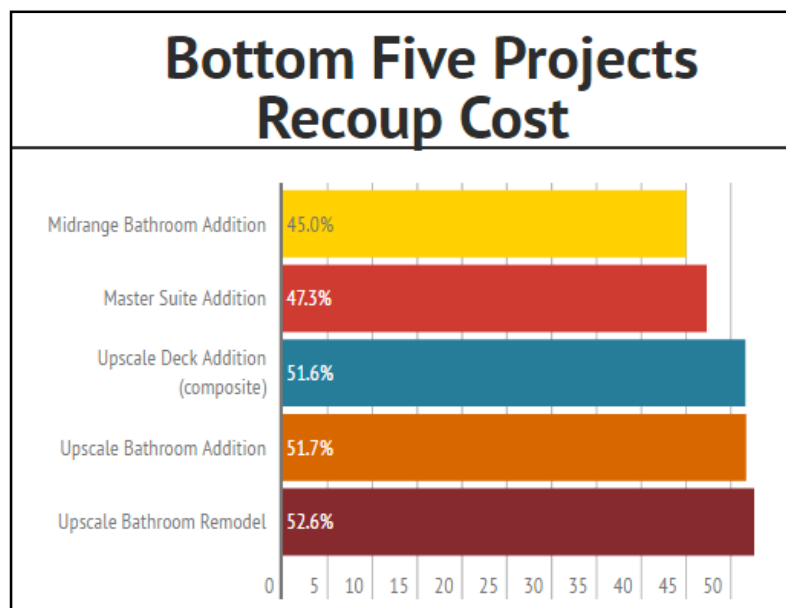
San Antonio was the least profitable market for home remodeling projects in 2015, with recoup costs ranging from 45 percent and 107.1 percent. All but three projects showed year-over-year declines in profitability in 2015.

- Fiberglass attic insulation was the most profitable project in 2015, recouping 107.1 percent (\$1,314) of the total project cost. Because this project category was added in 2015, historical comparisons are not available.
- Minor kitchen remodels showed the largest annual gain in recoup cost in 2015, increasing 15.1 percentage points year-over-year to recoup 86.7 percent (\$15,933) of the total project cost.
- The five most profitable projects recouped an average 88.2 percent of the total project cost – 6.4 percentage points less than 2014. Only three projects showed year-over-year gains in recoup costs in 2015, for an average of 6.4 percentage points. This compares to an average year-over-year increase in recoup costs of 31.3 percent in 2014.



San Antonio, continued

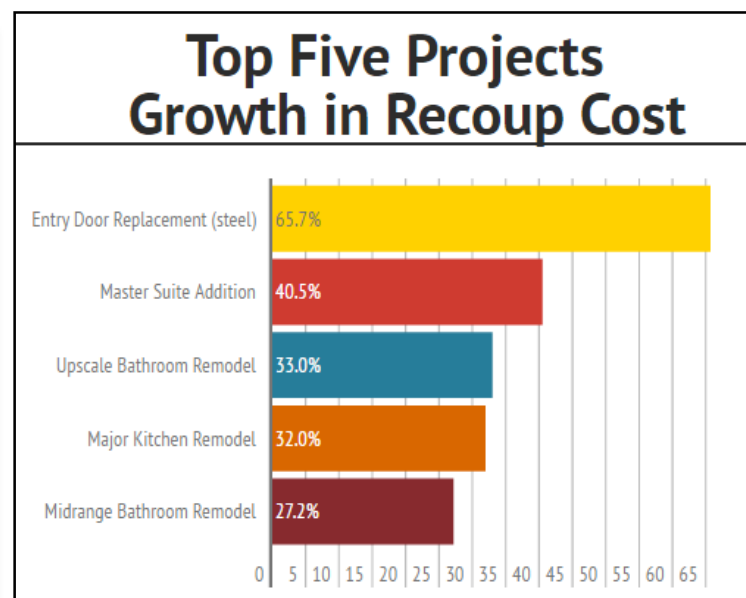
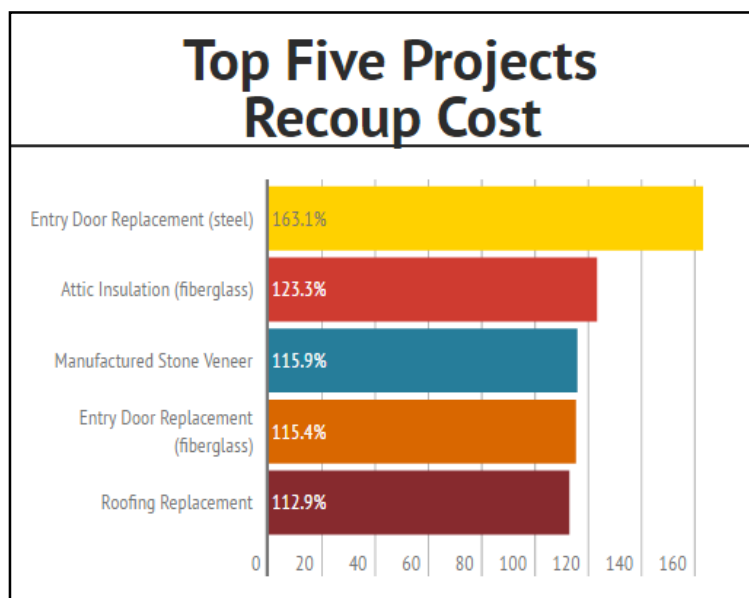
- Midrange bathroom additions were the least profitable project in 2015, recouping 45 percent (\$16,769) of the total project cost. This is a 13.1 percentage point decrease from 2014.
- Backup power generators showed the largest decrease in recoup cost from 2014 to 2015, with recoup cost dropping 59.5 percentage points year-over-year to recoup 69.7 percent (\$8,386) of the total project cost.
- The five least profitable projects recouped an average 49.6 percent of the total project cost – 2.8 percentage points less than 2014. The five projects with largest year-over-year declines in recoup costs decreased an average of 31.1 percentage points, compared to an average year-over-year decline of 15.96 percentage points in 2014.



McAllen

The McAllen market was introduced to the Texas Remodel Valuation Report last year and showed the second-highest increase in home remodeling recoup costs in 2015. Recoup costs ranged from 81.3 percent to 163.1 percent.

- Steel entry door replacements were the most profitable project, recouping 163.1 percent (\$2,000) of the total project cost. This project also showed the highest annual gain in recoup cost in 2015, increasing 65.7 percentage points year-over-year.
- The five most profitable projects recouped an average 126.1 percent of the total project cost – 26.6 percentage points more than 2014. The five projects with largest year-over-year gains in recoup costs increased an average of 39.7 percentage points from 2014.



McAllen, continued

- Major kitchen remodels were the least profitable project in 2015, recouping 81.3 percent (\$44,000) of the total project cost, a 1.3 percentage point decrease from 2014.
- Vinyl siding replacement showed the largest decline in recoup cost from 2014 to 2015, with recoup cost decreasing 12.3 percentage points year-over-year to recoup 95.9 percent (\$10,200) of the total project cost.
- The five least profitable projects recouped an average 86.4 percent of the total project cost – 36.8 percentage points more than 2014. The five projects with largest year-over-year declines in recoup costs decreased an average of 6.7 percentage points from 2014.

