



“Move or improve”

Weighing the benefits of renovating

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These are exciting times for the Greater Toronto Area resale housing market. Last month, 10,955 properties changed hands, making it the best June on record.

While many GTA residents have capitalized on low mortgage rates to make their next move, this year's federal tax incentive has motivated others to renovate instead.

If you are a homeowner, eventually you may have to decide whether to renovate or move on. There are many factors you should consider when weighing both options.

The most significant consideration of course, is cost.

When you undertake a renovation, costs can escalate due to a number of variables. As well, bear in mind that if you are planning to renovate, the project has to make economic sense. You might really want sparkling granite countertops and radiant floor heating, but consider whether these improvements are advisable in your current location.

If after renovations are complete, the value of your home is no longer in line with the value of other properties in the area, it could affect your return on the investment. In other words, if the cost of your renovation outweighs the market value it will add to your home, the wiser decision could be to simply move on.

The Appraisal Institute of Canada provides information for renovation planning and not surprisingly, fix-ups to kitchens, bathrooms and paint are the best options, returning up to 100 per cent of your investment. Its recent study showed that energy efficient upgrades, like windows and heating systems, have an average recovery rate of 61 per cent.

If you are working towards a greener home though, some of the costs can be offset by a number of government programs.

Natural Resources Canada for example, provides a grant to homeowners who undertake renovations that improve the energy efficiency rating of their homes. An EnerGuide for Houses evaluation must be performed prior and subsequent to renovations to determine the change in the home's rating. Grants are \$750 on average, but vary based on the amount by which the home's energy rating improves as a result of renovations.

As well, the federal government's 2009 Home Renovation Tax Credit provides a 15 per cent credit that can be claimed on a portion of eligible fix-ups between \$1,000 and \$10,000, a credit of up to \$1,350.

Another federal government initiative, the Residential Rehabilitation Assistance Program provides financial assistance on renovations that bring housing up to basic health and safety standards, to a maximum loan of \$16,000 in the Toronto area.

The Ontario government offers a \$500 rebate when you replace an inefficient central air conditioner with an ENERGYSTAR® certified system, and a \$50 rebate when you have your central air conditioner tuned up by a registered participating contractor. There is also a \$75 rebate on the supply and installation of programmable thermostats.

The City of Toronto's WaterSaver Program offers residents \$60 cash back plus a chance to win \$2500 when they buy eligible high-efficiency washers, and various municipalities, including Toronto, have implemented Residential Toilet Replacement programs, offering cash incentives to replace units with selected water-efficient models.

Before you undertake any renovations though, it's important to recognize the magnitude of inconvenience you will experience. Consider that moving into a home can be accomplished in about 60 days while major renovations can take up to a year. You can choose to live through the chaos or rent elsewhere, adding to your overall costs.

When you are confronted by changing needs, the most cost-effective choice is often to move on.

To explore all of your options talk to a REALTOR® and visit www.TorontoRealEstateBoard.com for full details on government programs, market statistics and neighbourhood profiles.

Tom Lebour is President of the Toronto Real Estate Board, a professional association that represents 28,000 REALTORS® in the Greater Toronto Area.