

Deck Values Drop in 2010

As home sales continued to struggle in 2010, resale values of decks and of other remodeling projects fell, according to the latest "Cost vs. Value Report" from Hanley Wood's *Remodeling* magazine.

The 24th edition of the annual report looks at the estimated cost of 35 remodeling projects in nine regions of the country (and 80 individual cities) and the estimated amount the projects add to the current resale value of a house. Dividing the cost by the value yields the "cost-value ratio," the percentage of the remodeling investment homeowners could expect to recoup were they to sell the house.

Three representative deck projects are examined in the study: a 16x20 pressure-treated wood deck with a railing, planter, and bench; a "midrange" deck, similar to the first except with composite decking and railing instead of wood; and an "upscale" composite deck, which has a second, 10x10 level attached to the 16x20 section. Also evaluated is a 200-square-foot sunroom addition, with venting skylights, a ceiling fan, and quarry tile (table on page 16).

Cost. The national average cost of remodeling projects as a whole was 10.4 percent lower in 2010 than in the year before, but unlike overall remodeling costs, the costs of building a deck and a sunroom were actually a little higher in 2010. Nationally, of the three decks, the pressure-treated deck saw the biggest increase in cost – 3.2 percent – while the costs of the midrange and upscale composite decks rose by less than 2 percent. The cost of the sunroom was up 2.8 percent from 2009.

| Upscale Composite Decks | | | |
|---------------------------|----------------|--------------|------------------|
| Region | Homeowner Cost | Resale Value | Percent Recouped |
| National | \$38,382 | \$22,154 | 57.7% |
| New England | \$38,877 | \$22,634 | 58.2% |
| Middle Atlantic | \$39,540 | \$21,946 | 55.5% |
| South Atlantic | \$36,620 | \$21,611 | 59.0% |
| East North Central | \$39,020 | \$19,091 | 48.9% |
| West North Central | \$37,998 | \$19,731 | 51.9% |
| East South Central | \$35,995 | \$21,055 | 58.5% |
| West South Central | \$36,042 | \$21,720 | 60.3% |
| Mountain | \$37,872 | \$21,413 | 56.5% |
| Pacific | \$42,805 | \$29,111 | 68.0% |

Value. The average value of all the remodeling projects in the study taken together dived precipitously in 2010 from the previous year – by 15.8 percent nationally. Although the numbers for decks aren't great, at least deck values did not decrease as drastically as overall remodeling values, and in a very few cases, even increased slightly.

The value of the least expensive deck project, the pressure-treated deck, took the biggest hit, declining by 6.8 percent nationally; the midrange composite deck, by comparison, saw a drop of 5.2 percent in its value, and the value of the upscale composite deck was down 3.4 percent.

In a few regions of the country, the value of a pressure-

| Midrange Decks, Average Cost and Resale Value | | | | | | |
|---|-----------------------|--------------|------------------|----------------|--------------|------------------|
| Region | PRESSURE-TREATED WOOD | | | COMPOSITE | | |
| | Homeowner Cost | Resale Value | Percent Recouped | Homeowner Cost | Resale Value | Percent Recouped |
| National | \$10,973 | \$7,986 | 72.8% | \$15,620 | \$10,337 | 66.2% |
| New England | \$11,163 | \$8,114 | 72.7% | \$15,809 | \$11,367 | 71.9% |
| Middle Atlantic | \$11,205 | \$7,944 | 70.9% | \$15,987 | \$10,212 | 63.9% |
| South Atlantic | \$9,916 | \$7,670 | 77.3% | \$14,844 | \$9,980 | 67.2% |
| East North Central | \$11,246 | \$6,834 | 60.8% | \$15,911 | \$8,948 | 56.2% |
| West North Central | \$10,484 | \$6,846 | 65.3% | \$15,450 | \$9,041 | 58.5% |
| East South Central | \$9,287 | \$6,927 | 74.6% | \$14,666 | \$9,944 | 67.8% |
| West South Central | \$10,102 | \$7,350 | 72.8% | \$14,695 | \$9,510 | 64.7% |
| Mountain | \$10,996 | \$7,352 | 66.9% | \$15,403 | \$9,623 | 62.5% |
| Pacific | \$13,827 | \$11,956 | 86.5% | \$17,552 | \$13,878 | 79.1% |

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treated deck inched up: Middle Atlantic (up 0.3 percent), South Atlantic (up 1.1 percent), and Pacific (up 1.8 percent); the value of a midrange composite deck in New England also rose, by 1.4 percent.

The value of a sunroom declined only slightly nationally, by just 1.6 percent, and in a few regions, bucked the trend with solid increases: New England (up 5.9 percent), East South Central (up 6.8 percent), West South Central (up 4.2 percent), and Pacific (up 2.4 percent).

Cost-value ratio. What do the new cost and value numbers mean for prospective customers that want the biggest return for their remodeling dollars? Real estate is local, and part of the answer to that question depends very much on the region of the country, and even the neighborhood, the house is in. Nationally, though, the overall cost-value ratio for remodeling dropped 3.8 points in 2010 to a decade-low 60 percent (in 2007, for instance, it was 70.1 percent). The current low would be even lower had construction costs not declined and cushioned the dramatic dive in resale values.

Looking at decks, compared with other remodeling projects they remain competitive. Among the three deck

Sunroom Addition

| Region | Homeowner Cost | Value at Sale | Percent Recouped |
|---------------------------|----------------|---------------|------------------|
| National | \$75,224 | \$36,540 | 48.6% |
| New England | \$76,779 | \$39,838 | 51.9% |
| Middle Atlantic | \$78,140 | \$35,052 | 44.9% |
| South Atlantic | \$70,099 | \$35,167 | 50.2% |
| East North Central | \$77,792 | \$32,536 | 41.8% |
| West North Central | \$74,994 | \$32,369 | 43.2% |
| East South Central | \$70,222 | \$38,873 | 55.4% |
| West South Central | \$68,269 | \$35,819 | 52.5% |
| Mountain | \$72,471 | \$32,525 | 44.9% |
| Pacific | \$86,970 | \$46,319 | 53.3% |

projects, the pressure-treated wood deck has the highest cost-value ratio, 72.8 percent, which is also one of the highest among all the remodeling projects in the 2010 study (tied for fourth place with a minor kitchen remodel). The midrange composite deck has a 66.2 percent return, and the upscale deck returns 57.7 percent of its cost.

Like the cost-value ratio of remodeling as a whole, that of decks is much lower than it was three years ago. Just two of the decks were part of the study in 2007; the cost-value ratio of the pressure-treated wood deck that year was 85.4 percent, and that of the midrange composite deck was 77.6 percent. Both have come down by more

than 10 percent.

The percent recouped of the cost of a sunroom has historically been lower than the average remodeling project and currently ranks 30th; it has also decreased since 2007, by 10.5 percent.

And the year ahead? Whether we have reached the bottom of the housing market or will be seeing further price declines this year is actively debated. Of course, values will vary regionally, but the looming quantity of foreclosures and the lack of upward momentum in home prices may well put downward pressure on the resale value of many remodeling projects in 2011.

The whole report can be found at costvsvalue.com. — *Laurie Elden* ♦