

The Impact of Renovations on Appraisal Value

What California Homeowners Should Know

When homeowners decide to renovate, the goal is often two-fold: improve daily living *and* increase home equity. But not all renovations contribute to value in the same way—and some may add less than expected. As appraisers, we look closely at how upgrades affect marketability, condition, and comparable sales in the neighborhood to determine their true impact on value.

Here's how renovations influence your appraisal:

1 Quality Matters More Than Cost

Just because a project is expensive doesn't mean buyers—and appraisers—see its value the same way. For example:

- A \$30,000 luxury bathroom remodel in a modest neighborhood may not return the full cost.
- A mid-level kitchen upgrade in an outdated home may produce a strong value boost.

Appraisal adjustments are based on **market reaction**, not receipts.

2 Functional Improvements Typically Pay Off Most

Renovations that **add usable space or improve livability** make the biggest impact:

- Adding a bedroom or bathroom
- Converting unfinished areas into living space (permitted)
- Enhancing energy efficiency (windows, HVAC, roofing)
- Updating old plumbing or electrical systems

These upgrades increase the overall **utility and desirability** of the home.

3 Kitchens & Bathrooms = High-Impact Zones

Buyers often focus on where they will spend the most time:

- Modern cabinetry and countertops
- Updated sinks, faucets, lighting, and flooring

- Fresh, neutral finishes

Well-executed kitchen and bathroom upgrades often yield **some of the highest returns** in today's market.

4 Curb Appeal Shouldn't Be Overlooked

First impressions matter—especially for appraisals:

- Exterior paint and siding repairs
- New garage door or modern front entry
- Updated landscaping and hardscaping

Improving curb appeal enhances marketability and can shorten days on market, supporting value.

5 Permits Are Critical

Unpermitted additions or structural changes can:

- Limit value recognition
- Raise lender concerns
- Delay or jeopardize a transaction

Always keep the **permits and documentation** handy for the appraiser.

6 Trendy vs. Timeless Design

Bold or personal design choices may not appeal to the majority of buyers.

Neutral, timeless upgrades:

- Broaden buyer appeal
 - Help maintain value longer
 - Reduce the need for future updates
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7 Not All Improvements Add Value

Some renovations improve enjoyment but have **limited value impact**, such as:

- Luxury pools in cooler climates
- High-end specialty appliances
- Extensive custom built-ins
- Elaborate landscaping water features

These can still matter—but more as **marketability enhancements** than major value drivers.

Final Thoughts

Before starting a major renovation, consider talking with a **licensed real estate appraiser** who understands your local market. Getting guidance ahead of time helps ensure your investment works *for* you—not against you.

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