



Top HOME RENOVATION TRENDS of 2011

Because the real estate market continues to struggle, many homeowners have decided to stay put rather than sell. **If you're one of them, consider these popular remodeling projects to make your home more comfortable, more functional and maybe even more valuable.**

Besides apple pie and baseball, nothing's more American than home ownership. It's a key ingredient of the American dream. The old saying still holds true: Home is where the heart is. Unfortunately, hearts skipped a beat in 2008 when the infamous housing bubble burst and the Great Recession commenced. Although the economy is in the early stages of recovery, the housing market is still reeling. As a result, home values are low, which means more families are staying put instead of selling.

If you're stuck in this situation, your American dream may feel more like an American nightmare. But it doesn't have to, says Chicago-based contractor Jeff Sheets, president and owner of Perfect Painting and Remodeling. Many of Sheets' clients are turning the houses they have into the homes they want through remodeling. At the same time, they're increasing comfort, improving functionality and adding value.

"In this market, we've seen homeowners at every level – from small condos to multi-million-dollar mansions – embrace home renovation as a practical way to get what they want without having to do battle with the real estate market," Sheets says. "I don't expect that to change anytime soon."

According to a March 2011 report from American Express, less than 43% of homeowners believe they would get the asking price for their home if it were on the market today, which is why 62% of them plan to make home improvements this year.

"It used to be that the average lifespan for a person in a home was five to seven years," says Atlanta-based contractor Jodi Marks, co-author of "Fix it in a Flash: 25 Common Home Repairs and Improvements" and a host on "Today's Homeowner with Danny Lipford." "People now are staying in their homes an average of 10 to 12 years, so they're looking

Paying for the Perfect Remodel



Thanks to depressed home values, you might not be able to sell your house to buy the home of your dreams. However, a home equity line of credit (HELOC) can help you afford to finance your dream remodel.

“The HELOC is still a popular product, even though it’s tied to prime, which means the rates can adjust,” says First Midwest Bank Personal Banker and Consumer-Mortgage Specialist Tim Scheel.

If you’re considering a home renovation, Scheel recommends a First Midwest EquiFlexSM HELOC*, which allows homeowners to borrow a set amount from their variable line of credit at a fixed rate whenever they need it.

“The best thing about our

EquiFlexSM HELOC is it’s flexible,” Scheel says. “Rather than paying 10% to 15% on a credit card, you can lock in a low interest rate to make a major purchase with the EquiFlexSM HELOC. You should only use it to buy what you can truly afford, but it’s a great product as long as you don’t abuse it.”



For more information about First Midwest Bank HELOCs, visit firstmidwest.com/borrow.

for ways to spruce up their home and make it more livable.”

So, where to begin? With a whole house-load of possibilities, the sky’s the limit. If you’re looking for a good place to start, the following projects are the year’s most popular renovations:

1 Kitchens and Baths

Because kitchen and bath remodels typically add a lot of value – with an average return on investment of 68.7% and 64.1%, respectively, according to *Remodeling* magazine’s 2010-11 Cost vs. Value report – they have always been among the most popular home renovations. In kitchens,

Marks says the most popular improvements continue to be the addition of stainless steel appliances, open floor plans, induction cooktops and granite countertops – although quartz is becoming more popular because it’s 100% non-porous.

In bathrooms, the trend is toward luxury, according to Jeff Brecko, vice president of Aurora Custom Remodeling in Ponte Vedra Beach, Fla. “The Jacuzzi tub has lost ground to the walk-in shower,” he says. “More people are spending money on body jets, hand showers and rain heads. They want the master shower to be more of a spa experience.”

Adds Marks, “Another thing I’m seeing is that touchless faucets and soap dispensers – like you see at airports or restaurants – are now making their way into the home.”

2 Outdoor Living Spaces

According to *Remodeling* magazine, decks are now more valuable than both kitchens and baths, with an average return on investment of 72.8%. But a deck is just the beginning. Many families are adding usable square footage to their home by creating an entire outdoor living space. “Kitchen remodels add about 70% return to the value of your home, but an outdoor kitchen can add anywhere from 130% to 200%,” Marks says. “That’s an amazing statistic. People aren’t stopping with grills either. They’re putting in refrigerators, wine bars, fire pits, sound systems, waterproof televisions – it just keeps expanding.”

Although major outdoor makeovers are popular, less extensive projects are equally in demand. For instance, Marks says many people are building or expanding decks with composite decking materials, which are easier to maintain and more environmentally friendly, and adding new outdoor structures, such as pergolas and arbors.

3 Basements, Attics and Additions

The No. 1 renovation trend Sheets is seeing is families finishing basements, attics and garages in order to create in-law suites for multi-generational living. “Because of the economy, students can’t find jobs when they graduate from college and seniors can’t afford retirement homes, so everybody’s converging under one roof,” he says.



“RATHER THAN PAYING 10% TO 15% ON A CREDIT CARD, YOU CAN LOCK IN A LOW INTEREST RATE TO MAKE A MAJOR PURCHASE WITH THE EQUIFLEXSM HELOC.”

TIM SCHEEL, PERSONAL BANKER AND CONSUMER MORTGAGE SPECIALIST, FIRST MIDWEST BANK

“To accommodate everyone, families are adding square footage wherever possible.”

Finished basements and attics almost always include workspaces, which is an added bonus for the country’s new class of entrepreneurs. “Many people are downsizing at work or cutting their hours, and lots of people who have been laid off are out there starting businesses,” Marks says. “Those people are taking attics and even the storage spaces over their garage and converting them into home offices.”

4 Maintenance Musts

Although they’re not always sexy, the most common remodels are also the most practical. “A house is like a car,” Sheets says. “The more mileage it gets, the more maintenance it needs. After a certain period of time, your car needs new tires and your house needs a new coat of paint. Neither adds value, per se, but both have to be done.”

According to *Remodeling* magazine, the most lucrative “maintenance” projects are those that enhance outdoor curb appeal, such as entry door replacement, garage door replacement and siding replacement.

Inside the house, maintenance is all about energy efficiency, according to American Express, which says nearly one-third of home improvements this year will be “green.” Topping homeowners’ lists are energy-efficient windows and doors (16%), insulation (12%), roofing (11%) and heating/ventilation/cooling systems (10%). “Everybody is interested in reducing their utility bills,” Brecko says. “By sealing your attic with spray foam, you can take a 140-degree attic and bring it down to within 10 degrees of the air-conditioned home, which results in 30% to 40% savings in cooling.”

Of course, not all home improvements have to be practical. With that in mind, Marks reports one final trend: “People are making their homes more automated. At the press of a button, you can turn on your lights, turn on your stereo and regulate the temperature of your home – all by the time you pull into your driveway. It’s very cool.” ♦

Real Estate Market Update

Whether you plan to stay in your home and remodel it, or sell it and buy something new, it pays to have your finger on the pulse of your local real estate market. In the Midwest, that market is slowly improving, according to John Wozniak, president of the Home Builders Association of Greater Chicago and J. Lawrence Homes in Wheaton, IL.

“In Chicagoland, we’re in the fifth year of this recession,” Wozniak says. “It started for us in 2006 and was getting steadily worse until 2010, but now it’s started leveling off. I don’t think it will get worse. We’re sort of bouncing along the bottom right now.”

Homeowners aren’t quite out of the woods, however. “I don’t think we’ve bottomed out yet on values,” says First Midwest Bank Personal Banker and Consumer-Mortgage Specialist Tim Scheel. “It could be some time yet before it gets better.”

According to the latest data from the National Association of Realtors® (NAR):

- In the Midwest, there were 1.06 million existing-home sales in March 2011, which was up 1% from February but down 13.1% from March 2010; the median existing-home price was \$126,100, down 7.1% from March 2010.
- The national average commitment rate for a 30-year, conventional, fixed-rate mortgage was 4.84% in March 2011, down from 4.95% in February.
- The requirements to obtain a conventional mortgage have been tightened; the average credit score rose to approximately 760 in the current market from nearly 720 in 2007
- Distressed homes – typically sold at discounts of approximately 20% – accounted for 40% of the market in March 2011, up from 39% in February and 35% in March 2010.

“Existing-home sales have risen in six of the past eight months, so we’re clearly on a recovery path,” says NAR Chief Economist Lawrence Yun. “With rising jobs and excellent affordability conditions, we project moderate improvements into 2012, but not every month will show a gain – primarily because some buyers are finding it too difficult to obtain a mortgage.”

*Subject to credit approval.

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