



Applied Architecture Inc.

Lincoln Mortensen, Project Designer

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## Remodeling's window of opportunity It's a buyer's market for homeowners looking to upgrade

By Debbie Arrington  
darrington@sacbee.com

The Kapickas could not wait for the economy to turn around.

With a toddler and a new baby, the couple had outgrown their adorable east Sacramento two-bedroom home. Despite the financial uncertainty that has gripped most of America, the Kapickas needed to either move or expand their house to fit their growing family.

"We weighed all the options," said Stuart Kapicka, an online entrepreneur who works from home. "I was trying to make an office out of a kitchen nook, working around kiddie gates. We had to do something. We could buy a big, foreclosed home with a pool in the suburbs or we could stay put in a charming neighborhood we love and remodel."

After much deliberation, Stuart and Christal Kapicka chose to add a second story, doubling the size of their modest ranch/Tudor-style house to about 2,200 square feet.

Their timing could not have been better; they saved thousands of dollars.

"Our bids ranged from \$250,000 to \$350,000," Kapicka said of the project, which included other major upgrades to the home. "It just shows you the range that's out there right now. Some contractors are still sticking with prices at 2003-04 levels. ... But you can get a lot more bang for your buck."

The current economic downturn has created a window of opportunity for people looking to remodel their homes and who can still afford the investment. Skilled crafts-people – once too busy for small projects – are looking for work. Lumber is bargain priced.

So tackling that kitchen or bath makeover may never be cheaper.

"It's a buyer's market out there," said contractor George Henley of Henley Homes, who is working on the Kapickas' makeover. "It's all about supply and demand. People are really maximizing their dollars."

Henley conservatively estimated that most homeowners could save 15 percent or more compared to what the cost would have been for a similar project two years ago. The Kapickas' addition averaged \$180 per square foot, not counting the whole-house upgrades.

"There's never been a better time to remodel," said Henley, who has been in the home construction business for 30 years.

Henley and many other local contractors have experienced the ups and downs of the building market before.

"It was bad in 1980, again in 1990, but never this bad," he said. "Business might slow down for building new homes, but remodeling usually stayed steady. Now, we're seeing a slowdown for remodelers, too. I'm blessed at the moment to have work."

Bill and Janet Nagel decided to tackle the bathrooms in their Fair Oaks home. Bill, an avid do-it-yourselfer, had done several projects around the house, including a large tiled atrium.

"But this was major plumbing; it was beyond the scope of what I could do myself," he said.

The major remodels included lots of granite, custom-glazed maple cabinets, a walk-in closet and other high-end features such as a jacuzzi tub and glass vessel sinks. The project was completed in November.

"If I had known then what was about to happen, we may have waited," said Bill Nagel, chief loan officer at Five Star Bank in Rocklin. "But I'm glad we got it done. There's no buyer's remorse."

Contractor Todd Sarkisian of Sunset Remodeling handled the project.

"Originally, we were looking at more than \$100,000," Nagel said, "but we got it down to about the mid-80s."

The Nagels now are taking advantage of the buyer's market by making other upgrades such as new recessed lighting for the kitchen and granite counters in the laundry room.

Sarkisian, who has experienced building cycles before, appreciates the business.

"I've seen it slow down before," he said. "I went through the Carter-Reagan years; that was particularly bloody (with several builders going out of business). In 1990 during the invasion of Kuwait, everybody got so apprehensive, it was crazy. Now, big builders are forecasting gloom and doom. The remodeling business is definitely hurting; banks aren't lending even to people with good credit and good jobs.

"But if you're thinking of remodeling and in a good financial place, now is the time to do whatever you want," he added. "It will never be cheaper."

Several factors have impacted the remodeling market. In recent years, many homeowners tapped into their equity – often six figures at a time – to create dream kitchens and baths. With tighter credit and falling home prices, that market has dried up considerably.

But with fewer people shopping for new kitchens or other projects, contractors have more competition for bids.

"Homeowners will get great deals right now," said Brenda Kress, executive director of the Greater Sacramento Area chapter of the National Association for the Remodeling Industry. "People are hungry."

From 30 members 10 years ago, the chapter has grown to about 185 members.

"With some of the challenges going right now, we're actually getting more calls for membership," Kress added. "People are looking for lead sources. We check (the contractors and vendors) all out. ... We're a trusted resource for homeowners."

For the first time, contractors with like specialties will be clustered together at the upcoming Northern California Home and Garden Expo, Friday through Jan. 25 at Cal Expo.

Among the good material buys right now is wood.

"I haven't seen prices like this in 15, 20 years," Henley said. "Lumber is at a 20-year low. Wood flooring hasn't been this cheap in a decade."

Base prices for some materials remain high due to global demand. Growing markets in China and India have strained the supply of concrete, copper and steel in the United States.

Granite, a popular staple of current kitchen and bath makeovers, has stayed expensive due to processing costs. The machinery needed to cut and finish a granite countertop costs more than \$300,000.

But homeowners can shop around for deals. Some suppliers are starting to drop prices to decrease inventory.

Labor, while not cheap, has become a bargaining point.

"Ironically, the cost of labor has not come down that much," Henley said. "When you come down in cost but pay the same labor, your profit margin gets squeezed pretty tight. But everything is probably negotiable these days."

What's more, subcontractors are now available. During boom times, the lack of available subcontractors could prolong a project for months.

"George tells someone to be here Tuesday; they're here Tuesday," Stuart Kapicka said. "There's no waiting around while they finish other jobs. The timing has been incredible."

With the money saved, the Kapickas were able to afford little luxuries such as custom built-in cabinets, wood-frame windows and reeded oval door casing in an exact match to their home's original interior trim. (Both old and new trim came from Sacramento's Burnett & Sons, a local miller since 1869.)

"The home is actually going to look more authentic than when it started," Henley said.

Said Kapicka, "Two years ago, we wouldn't have been able to afford it."

Living in a nearby rental since September, the Kapickas are anxious to move back into their "new" home, expected to be completed in March. Sons Cameron and Colton will have their own bedrooms next to their parents' master bedroom on the new second floor; Stuart gets his own office downstairs.

"We're so excited," Stuart said. "Moving would have been simple. But for the money per square foot, we're getting the house we really want instead of living with somebody else's choices."



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