

CLASSIFIED REAL ESTATE

REAL ESTATE NEWS

Selective remodeling can increase home's value

The traditional way for homeowners to increase the value of their house is by remodeling existing rooms or adding on to its current plan.

Some choose to build recreation rooms and studies while others add new appliances, fixtures and cabinets to enliven rooms and make their homes more attractive to future buyers.

But when should you decide to stop sinking money into a home and buy a bigger house? How much rehab is too much when it comes time to recovering remodeling costs through a home sale? And if you do decide to go ahead with the project, are you following

recommended guidelines in choosing the project, contractor and method of financing the improvement?

Here are some thoughts on remodeling by the Michigan Association of CPAs, based in Farmington Hills, and Century 21 sales representatives.

According to the CPAs, any remodeling project should be planned with an eye toward resale value. More than any other factor, the value of a home improvement project depends on housing values in the surrounding area. Improvements that bring a home up to the neighborhood standard are typically among the best investments.

Other factors that influence the value of a project are the quality of the materials and the workmanship.

In general, the size of the project, your ability to repay the loan quickly and the amount you can afford to pay monthly are primary considerations in deciding which financing option is best suited to your project and your pocketbook. If you do choose to borrow, keep in mind that as a rule you'll need 20-percent equity in your home, including the remodeling value to obtain a loan.

For tax considerations, any project that adds to the value of the property, prolongs its life or

adapts it to a new use increases the cost basis of your house. As a result, the taxable profit on the sale of your house is correspondingly reduced. Repairs that merely maintain the condition of your house do not qualify as capital improvements. It is important to keep records of home improvement costs to realize their tax benefit sometime in the future.

Keep in mind that by increasing the value of your house, you may also be increasing your property tax.

Once you've made up your mind to go ahead with the project, it is important to recognize your

house's character and stay within its framework. Nothing sticks out more than a new addition that is in a different architectural style.

The most financially rewarding areas to remodel are usually the kitchen and bath, according to Century 21. Newly redone cooking spaces and cabinets can attract more buyers and may command a slightly higher price for the house than a comparable one on the market. Simple repairs that are made to last will bring you the biggest returns upon sale.

Enlarged bathrooms are the most popular attraction for new home buyers, according to the

National Kitchen and Bath Association. Today, the most popular additions for younger buyers are sunken whirlpool baths and showers. But be sure to install modest, solid amenities. It's easy to quickly overspend on bathroom fixtures.

When choosing a contractor, you should investigate the company's reputation, the CPAs suggest. Seek out personal and professional recommendations. Be sure to talk with previous customers and check with the Better Business Bureau. Obtain written estimates from at least two or three contractors.

Pool manufacturer needn't post warning against diving

CONDO QUERIES

I would like to pick your brain on some personal injury law as it relates to our condominium. We have a situation where one of our residents dove into an above-ground pool and was seriously injured. The resident has contacted me and has

asked whether there is a basis to sue the manufacturer of the pool. We had no warning on the pool with respect to diving. Do you think he has a claim against the pool manufacturer?

Based on a recent decision of the Michigan Supreme Court, he may have a problem to the extent that the pool was not defective or unreasonably dangerous for want of a warning. The court has held that the manufacturer of a simple product has no duty to warn of the product's potentially dangerous

conditions or characteristics if those characteristics are readily apparent or visible on casual inspection and are reasonably expected to be recognized by the average user of ordinary intelligence.

The obvious nature of the product's potential danger gives an inherent warning of risk, says the court, and it may be that the claimant may not have any basis to pursue the pool manufacturer.

On the other hand, whether this exclusion from responsibility goes to the condominium association,

which was responsible for the maintenance of the pool, is not as clear. Accordingly, there may be some collateral liability for the condominium association or its managing agent in connection with the maintenance of the pool area, depending on the facts of the case.

Can you tell me whether we can prohibit the leasing of condominium units in our condominium? The board wants to include a provision in its bylaws doing so.

I am not aware of any specific decision in Michigan that has ruled on the question. The general rule of law is that it disfavors restraints on the transferability of property. But there are several Florida decisions that have upheld the right of associations to prohibit entirely the leasing of a condominium unit. Whether that would be the result in Michigan is not known, but it is an important decision in favor of holding a lease prohibition.

Robert M. Meisner is a Birmingham attorney concentrating his practice in the areas of condominiums, real estate and corporate law. You are invited to submit topics you would like to see discussed in this column by writing Robert M. Meisner at 30200 Telegraph, Suite 467, Birmingham, Alabama 35244. This column provides general information and should not be construed as legal opinion. To leave a voice mail message for Robert Meisner, call 555-2047, mail box 1871.

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Real Estate	SECTIONS	D,E
Rentals	SECTIONS	E,F

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INDEX OF CLASSIFICATIONS

HOME & SERVICE GUIDE

1-399

An alphabetical directory of all your service needs. See Above For Section.

REAL ESTATE FOR SALE

300-364

- 301 Open Houses
- 302 Birmingham-Bloomfield
- 303 W. Bloomfield/Keego-Orchard Lake
- 304 Farmington-Farmington Hills
- 305 Brighton, Highland, Howell
- 306 Southfield-Lathrup
- 307 South Lyon, Midland, Highland
- 308 Rochester-Troy
- 309 Royal Oak-Oak Park
- 310 Farmington-Huntington Woods
- 311 Wagon-Wagon Lakes Area
- 312 Oakland County Homes
- 313 Livonia
- 314 Canton
- 315 Plymouth
- 316 Northville-Novi
- 317 Westland-Garden City
- 318 Dearborn-Dearborn Heights
- 319 Grosse Pointe
- 320 Homes-Wayne County
- 321 Homes-Livestock County
- 322 Homes-Macomb County
- 323 Homes-Washburn County
- 324 Other Suburban Homes
- 325 Real Estate Services
- 326 Condos
- 327 New Home Builders
- 328 Duplexes & Townhouses
- 329 Apartments For Sale
- 330 Mobile Homes
- 331 Northern Property
- 332 Out Of Town Property

COMMERCIAL/INDUSTRIAL SALE OR LEASE

365-372

- 365 Business Opportunities
- 366 Office Business Space Sale/Lease
- 367 Business & Professional Buildings Sale/Lease
- 368 Commercial/Retail
- 369 Industrial/Warehouse Sale or Lease
- 370 Income Property
- 371 Industrial Commercial Vacant Property
- 372 Investment Property

REAL ESTATE RENTALS

400-436

- 400 Apartments
- 401 Furniture Rental
- 402 Furnished Apartments
- 403 Rental Agency
- 404 Houses
- 405 Rent Option to Buy
- 406 Property Mgmt.
- 407 Mobile Homes
- 408 Duplexes
- 409 Flats
- 410 Townhouses/Condominiums
- 411 Time Share
- 412 Southern Rentals
- 413 Vacation Rentals
- 414 Halls
- 415 Residence to Exchange
- 416 Mobile Home Space
- 417 Rooms
- 418 Living Quarters to Share

EMPLOYMENT/INSTRUCTION SERVICES

500-524

- 500 Help Wanted
- 501 Help Wanted - Dental/Medical
- 502 Help Wanted - Office/Clerical
- 503 Food & Beverage
- 504 Help Wanted Sales
- 505 Help Wanted Part Time
- 506 Help Wanted Domestic
- 507 Help Wanted Couples
- 508 Entertainment
- 509 Situations Wanted, Female
- 510 Situations Wanted, Male
- 511 Child Care
- 512 Elderly Care & Assistance
- 513 Summer Camps
- 514 Education/Instructors
- 515 Nursing Care
- 516 Secretarial Business Services
- 517 Professional Services
- 518 Attorney/Legal Counseling
- 519 Tax Service

ANNOUNCEMENTS

600-614

- 600 Personals
- 601 Wedding Chapels
- 602 Funeral Home (by the word)
- 603 Health, Nutrition, Weight Loss
- 604 Announcements/Meetings/Seminars
- 605 Legal Notices

Merchandise

700-736

- 700 Auction Sales
- 701 Collectibles
- 702 Antiques
- 703 Crafts
- 704 Furniture Sale/Flea Markets
- 705 Wearing Apparel
- 706 Garage Sale - Oakland County
- 707 Garage Sale - Wayne County
- 708 Household Goods - Oakland County
- 709 Household Goods - Wayne County
- 710 Misc. for Sale - Oakland County
- 711 Misc. for Sale - Wayne County
- 712 Appliances
- 713 Bicycles
- 714 Business & Office Equipment
- 715 Computers
- 716 Commercial/Industrial Equipment
- 717 Lawn, Garden, Farm & Snow Equipment
- 718 Building Materials
- 719 Hot Tubs, Spas & Pools
- 720 Farm Produce - Flowers, Plants
- 721 Hospital Equipment
- 722 Hobbies - Coins, Stamps
- 723 Jewelry
- 724 Camera and Supplies
- 725 Musical Instruments
- 726 Video Games, Tapes
- 727 VCR, TV, Stereo, Tape Decks
- 728 CD Radios, Cellular Phones
- 729 Sporting Goods/Exercise Equipment
- 730 Trade or Sell
- 731 Wanted to Buy
- 732 Absolutely Free-Money only

Automotive

800-884

- 800 Recreational Vehicles
- 801 Snowmobiles
- 802 Boats
- 803 Boat Dock, Marina
- 804 Boats/Motors
- 805 Boat Parts & Service
- 806 Vehicle/Boat Storage
- 807 Insurance, Major
- 808 Motorcycles, Gas/Motors, Minibikes
- 809 Motorcycles, Parts & Service
- 810 Campers/Motorhomes/Trailers
- 811 Auto/Truck, Parts & Lending
- 812 Auto Rentals, Leasing
- 813 Auto Financing
- 814 Pot Services
- 815 Horse, Livestock Equipment

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