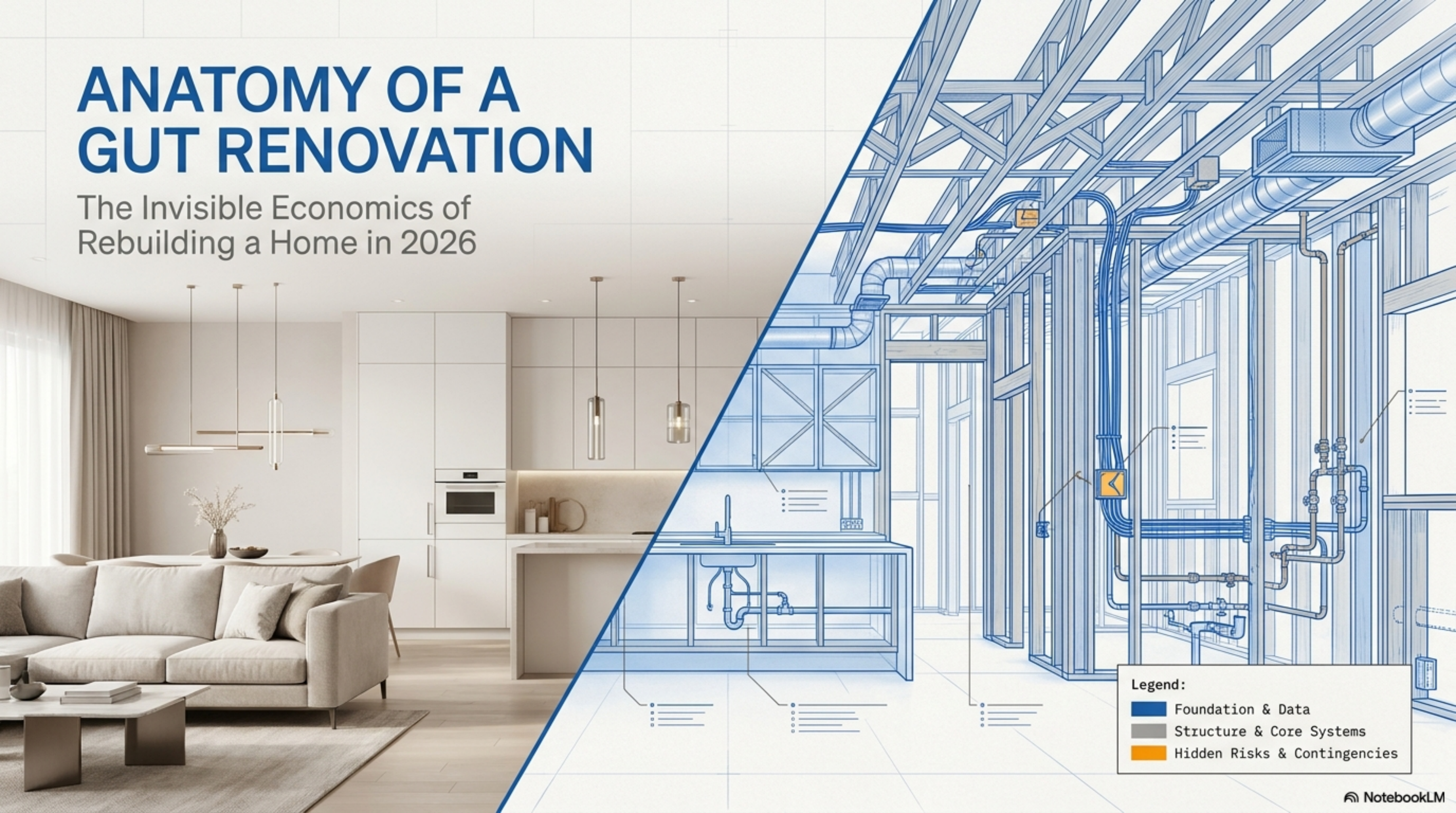


ANATOMY OF A GUT RENOVATION

The Invisible Economics of Rebuilding a Home in 2026



Legend:

- Foundation & Data
- Structure & Core Systems
- Hidden Risks & Contingencies

The Budget Iceberg: The 40-40-20 Rule

Materials & Finishes

The Illusion: Homeowners budget for cabinets, tile, and paint. This is only 40% of the true cost.

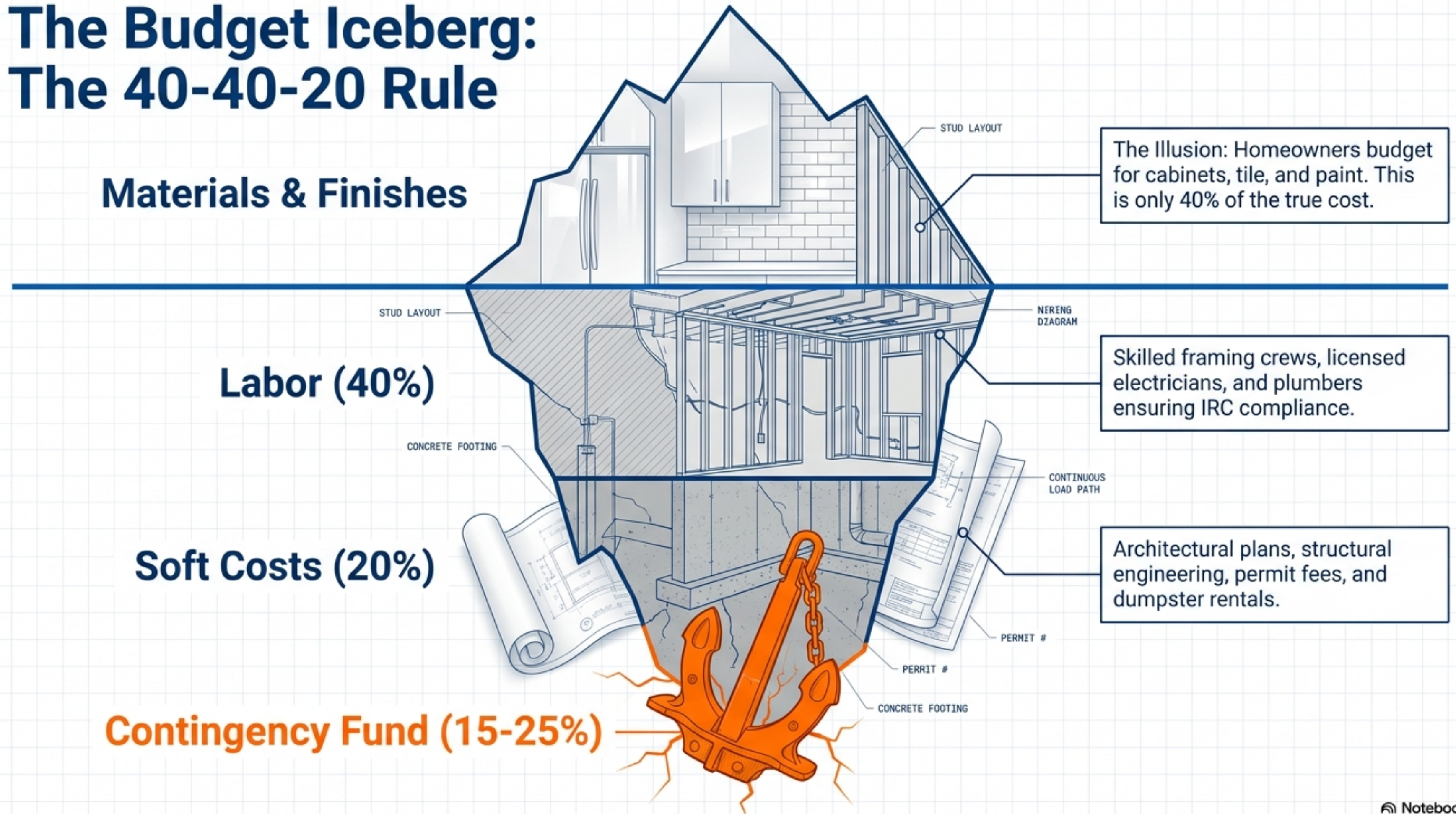
Labor (40%)

Skilled framing crews, licensed electricians, and plumbers ensuring IRC compliance.

Soft Costs (20%)

Architectural plans, structural engineering, permit fees, and dumpster rentals.

Contingency Fund (15-25%)



The Real Numbers: 2026 Project Spectrum

1980s Suburban (1,800 sq ft)	1950s Cape Cod (2,200 sq ft)	1920s Craftsman (2,500 sq ft)
Scope: Cosmetic-plus (New kitchen, 2 baths, LVP flooring, paint). No walls moved.	Scope: Mid-range gut. Removed non-load-bearing wall, 100 to 200-amp panel upgrade, PEX pipe replacement.	Scope: High-end structural. Sistering joists, foundation spot repairs, full window replacement package.
Final Cost: \$165,000 Cost/SqFt: \$92/sq. ft.	Final Cost: \$310,000 Cost/SqFt: \$141/sq. ft.	Final Cost: \$550,000 Cost/SqFt: \$220/sq. ft.

Context Note: Nationally, complete gut renovations start between **\$100 and \$250 per square foot**. Condos or cosmetic builder-grade refreshes can start around **\$75/sq. ft.**

The Day After Demolition

The 100-Amp Panel & Knob-and-Tube

1960s remnants represent a major fire hazard. Legally required removal.

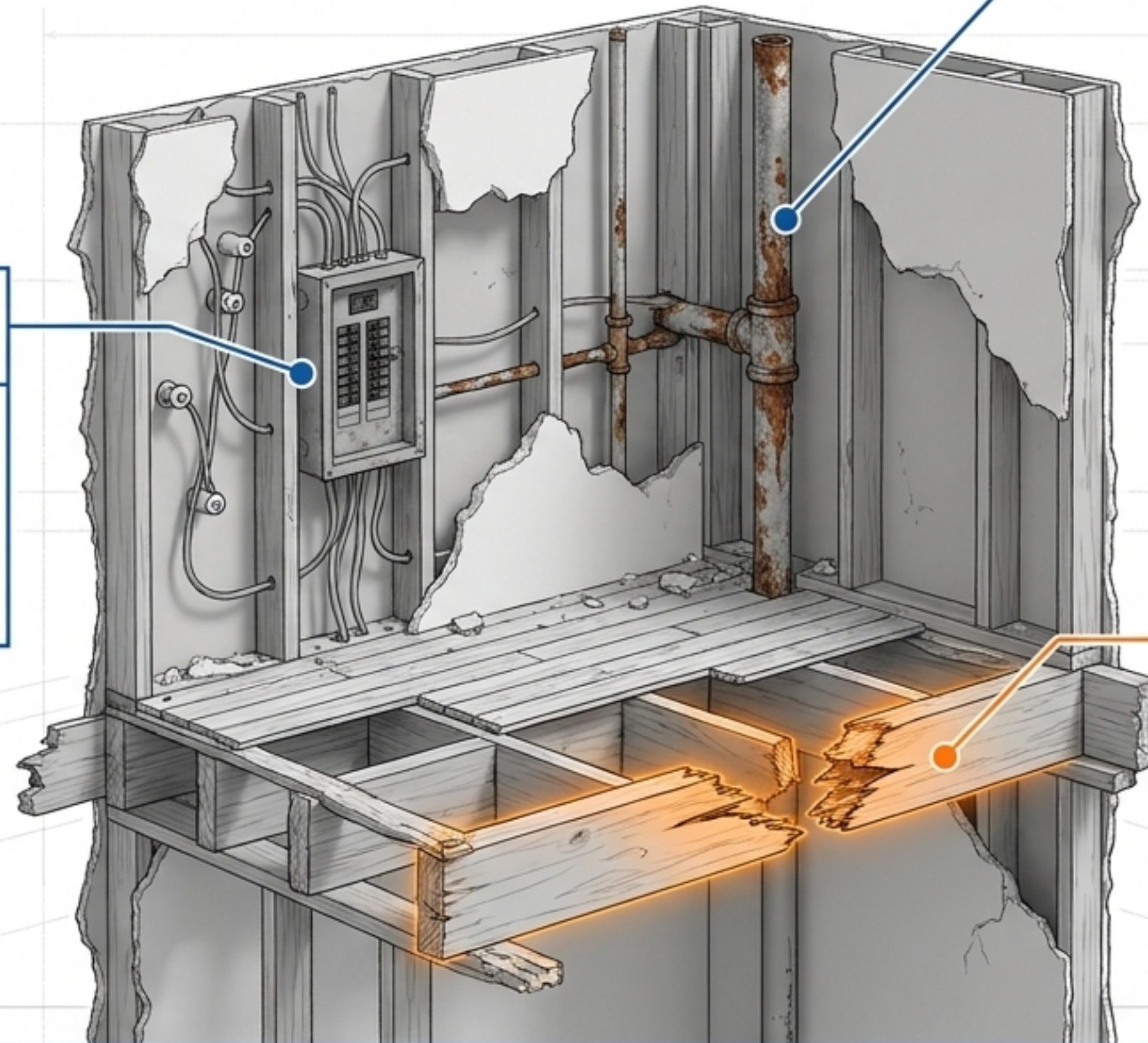
Modern induction cooktops and heat pumps demand 200-amp upgrades.

Corroded Galvanized Pipes

Pre-1985 supply lines corrode internally, reducing water pressure to a trickle. Requires a full re-pipe with PEX or copper.

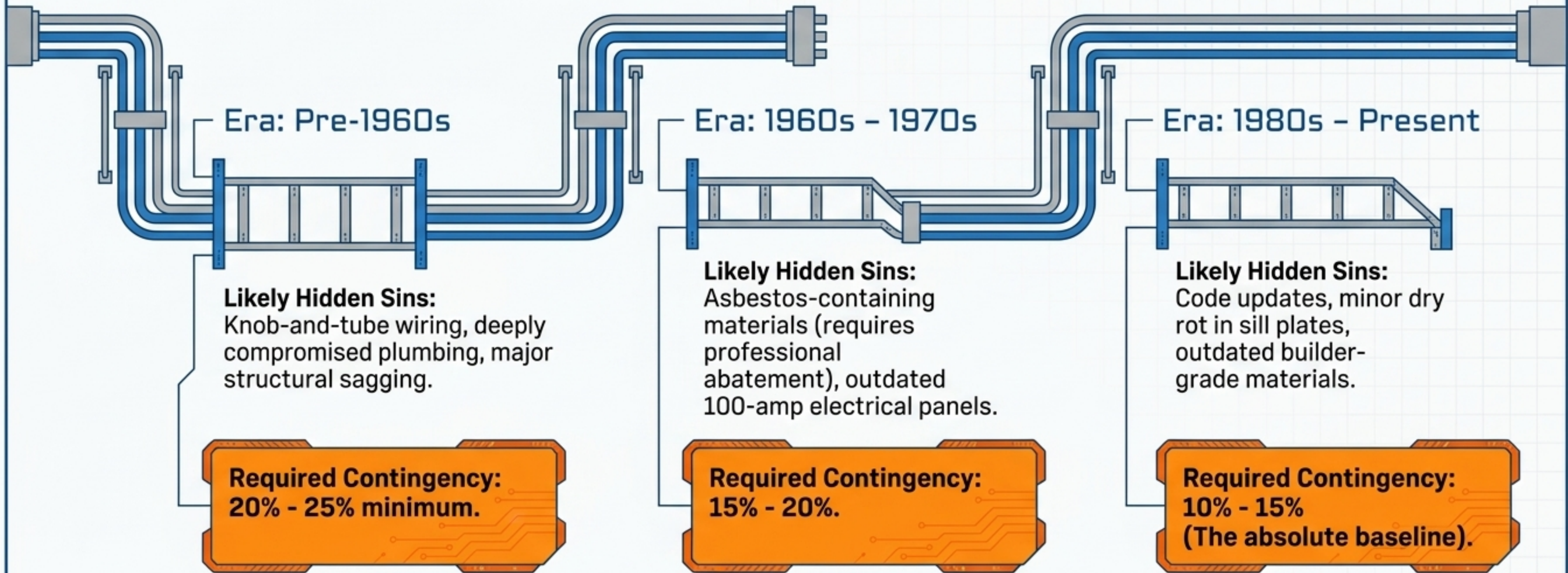
Compromised Floor Joists

Previous plumbers cutting through joists leaves bathrooms supported by "plywood and hope." Requires opening ceilings to sister new joists and re-establish a continuous load path.



Key Takeaway: You are not just paying for a remodel. You are paying to correct the sins of the past to pass modern inspections.

Your Home's Age is a Price Tag



Rule of Thumb: Contingency funds are not for upgrading your tile choice. They exist solely for the structural and systemic surprises hiding inside your walls.

The 2026 Macro Environment

IRA Tax Credits

Significant federal kickbacks for installing heat pumps, upgrading panels, and adding efficient exterior doors/windows.

Stabilized Supply Chains

Standard windows are back to 10-week lead times (though custom still adds months).



PROJECT COST

New Baseline Materials

Lumber, copper, and drywall have permanently settled at higher baseline costs.

Stricter Codes

2024 IRC updates require rigorous energy insulation, air sealing, and seismic safety connections.

Capital Costs

High interest rates change the math, pushing homeowners toward phased projects or equity tapping.

The GC Interview Guide

Question: What is your process for a change order?

Green Flag: We use a formal document outlining labor, materials, and timeline impact before work begins.

Protects against scope creep.

Red Flag: We'll figure it out as we go.

Guaranteed budget killer.

Question: Who is the on-site supervisor?

Green Flag: You get a dedicated project manager on-site daily to manage subs.

Ensures quality control.

Red Flag: I'll swing by when I can.

Leads to slipped schedules and trade collisions.

Question: How do you protect the unrenovated areas?

Green Flag: ZipWall barriers, Ram Board on floors, and daily HEPA air scrubbers.

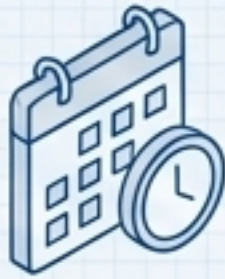
Respects the property.

Red Flag: No specific containment plan.

Dust and debris ruin the rest of the home.

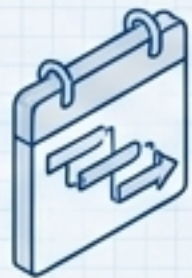
Project Strategy: Phasing vs. ROI

Phasing the Project



All At Once (Recommended)

Mobilize one team, gain economies of scale, endure one period of disruption. Most cost-effective.



Phased (If Necessary)

Group logically. Do all "wet" areas (kitchens/baths) together to share plumbing costs.

Warning: You will pay for mobilization and cleanup multiple times.



Maximizing Resale Value



High Return

Curb appeal (siding, windows, front door) and mid-range functional updates to kitchens and baths.



Low Return

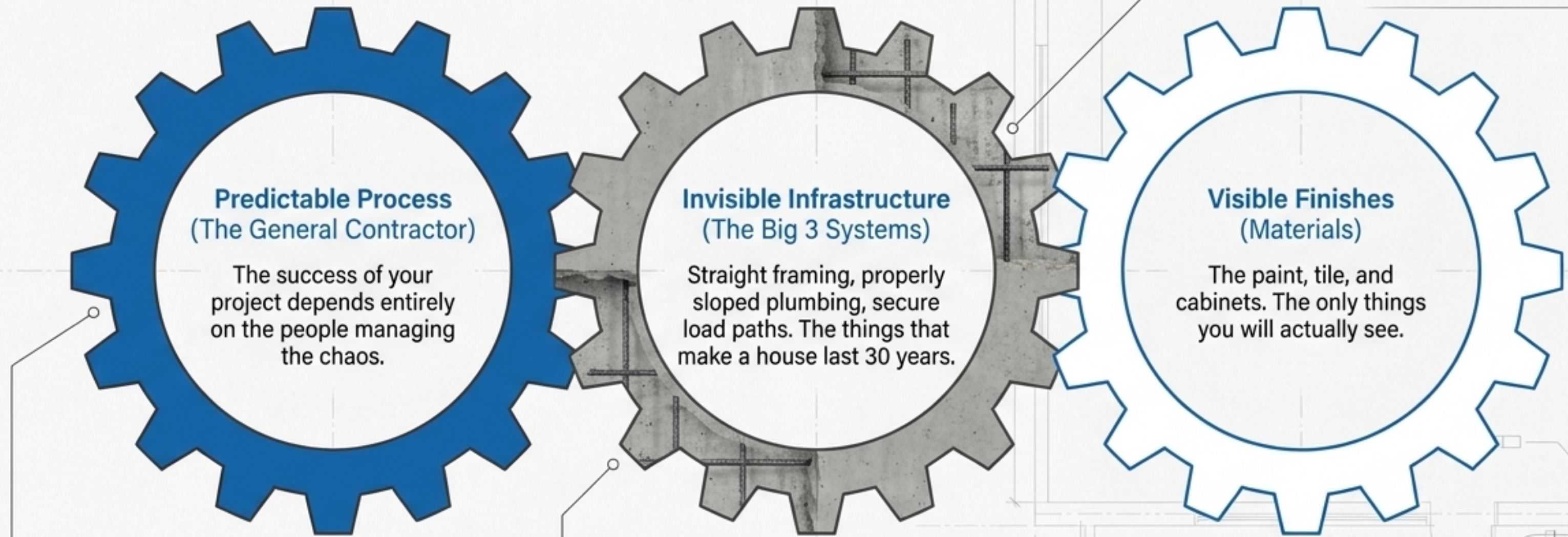
Over-improving with ultra-high-end finishes for your neighborhood.



The Real Value

Bringing an outdated home up to modern standards of function and safety.

The Factory is Your Home



A whole-house renovation is not a product you buy off a shelf. You are commissioning a complex, on-site manufacturing project. Invest in the process, fund your contingencies, and the product will take care of itself.