



RENOVATION: a survival guide

Start at the beginning

When looking for a house to renovate the key without question, is to start with the end in mind, what better place to start than working out why you are doing it.

1. **Understand your reason for buying:**
 - a. Is it to improve your rental return and increase your cashflow?
 - b. Is it to build equity which can then be accessed for the next purchase?
 - c. Are you planning to 'flip'? (ie do a quick renovation and sell it again)
2. **Buy without emotion.** This is a commercial decision and it is all about the numbers.
3. **Keep the renter in mind.** If you are planning on keeping the property and renting it out, work out what renters in the area are looking for. Is it security, parking, storage, broadband internet or three bedrooms? Draw up a list of what the property must already have when you buy it (eg two bathrooms) and what you'll need to add (eg air conditioning, storage or car porch etc).
4. **Make your money when you buy.** Decide what profit you want to make and do your sums. Enlist the help of a professional if you need to and work out the total cost of any renovations you'll need to do to bring the property up to the standards of those properties matching your expected selling price.
5. **Calculate all your potential costs.** Once you have your list of work required, ask a builder for a quote or work it out yourself if you are going to be doing the work. Remember to include buying costs, holding costs and if appropriate, selling costs. Once you have a comparable sales price and an estimate of all your costs you can work out what you need to buy the property for so that you make your expected profit. If the numbers do not fit, go back to the second point and make the decision to move on or accept a lower profit.
6. **Use settlement time to your advantage.** Find out if you can access the property during settlement to paint and prepare it. But beware, any major structural changes are a risk and vendors may be uneasy with you knocking out walls before you own the property. You may include in your contract a condition giving access for tradies quotes or for your agent to show potential tenants. It can save you weeks of potential vacancy and lost rent and also minimise your holding costs.
7. **Look for good bones requiring no structural work.** And don't forget about unseen work like plumbing that may not add value but is a necessary expense. You may decide your strategy is to do only cosmetic renovations thereby getting maximum bang for your buck, in this instance knowing what you are up for is important one way to minimize the risk is to look into a building and pest inspection up front.



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Now you have the renovators delight, what next?

- **Recognise time vs cost benefits.** Everyone fancies that they are able to get in and save a few dollars doing the painting themselves for instance. In reality, sit back and make the assessment on where your time can best be spent. Spending every night and weekend painting may be more costly in time and quality than paying a professional to complete the job to a high standard within a few days. Concentrate on what you do best. This could be sourcing the right property or buying items for the property.
- **Google It.** It is amazing these days what you can buy over the internet, maybe the thousands that the painter charged can be negated by seeking out that elusive bargain. This may be through the Trading Post, eBay or other online sales company. I have found www.buybuildingsupplies.com.au (formerly Trade Connect) a great source of discounted building goods (and excellent for skylights).
- **Recognise the difference between the budget vs the wish list.** Money will limit what you can achieve so maybe the Caesarstone® bench top has to go or the cheaper tiles need to be used. These decisions will be influenced by why you are doing the renovation. Remember just because you have a budget doesn't mean you have to go right up to the limit. Aim to come in below the budget without going into your buffer zone (see below).
- **Expect the unexpected.** Add a buffer into both your renovation costs, and to your timeframe (as this will affect your holding costs). Some people allow 10%, some 20%.
- **Gather a reliable team.** Get your tradies, lawyer, accountant, mortgage broker, pest and building inspector all lined up so that with a few phone calls you can mobilise the team, complete the sale and evaluate the costs quickly.
- **Cookie Cut it.** Once it has worked for you then do it again. Changing strategies mid-game can generate more work for you. If it did not work ie you were over budget, over time or the valuation did not come in at what you expected, then work through why and learn from your mistakes. Reassess if your initial strategy ie flipping is still relevant for you. However if it worked then cookie cut do it again because you know that it works.

Renovating is about finding solutions to problems that others think are too hard.

Remember if it was easy everyone would do it.



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Additional renovation tips

Not everything goes according to plan! Based on the experience of renovating many properties, here are some of my best tips. I hope they'll provide some benefit to you:

- **Check the builder's and trades peoples' timeframes and ask whether this is their only current job.** This is not a new issue in fact unless you are doing a complete rebuild it is not unknown for your builder, carpenter or tiler to take other jobs whilst doing yours. After all, they have a business to run as well. Be prepared however and find out upfront where their priorities lie. If for a big job you have a building contract, a penalty clause for when timeframes are overrun can be a great incentive to make sure your job comes first.
- **Itemise work to be done in each room.** Write down everything that you have budgeted for room by room. Try to get the trades people to quote per room so if you do need to leave something out you know where to start. One quote for everything can make fine tuning difficult and makes it difficult to compare individual job quotes to a complete works quote.
- **Manage variations.** If you do have a room by room job list then at the end, if invoices come back different from the original quotes you'll have enough information to go into negotiation phase. Also be careful of casual comments, eg being asked by an electrician if you would prefer dimmer switches, a simple "yes" can add another \$100 onto his/her bill. Find out how much it will cost up front.
- **Will your tradies pass on discounts?** I had a tradesman recently charge for his time and goods. He organised the goods, paid for them and then gave me the invoice. I noticed he did not pass on a 10% discount he'd received. When we discussed this he told me that he gets a 10% discount and he was not passing that onto me as I agreed to pay for the goods and could not also access his trade discount. Hmm...interesting! You can bet that will be clarified in future jobs.
- **Is there a premium for supervising other tradies?** Some builders charge extra for project management so find out what percentage they'll add. It may be easier for you to do it yourself. This of course will depend on your available time, and experience; the 'time vs cost' benefit may make it cheaper in the long run (not taking into account any delays).
- **Check their qualifications and licenses.** It's also a good idea to check the registration of any of the trades people you use and make sure that their insurance is up to date.
- **Will your painter be doing the preparation?** When getting quotes check the basic tasks such as: will the painter be painting 'as is'? (I have seen a painter paint over dead moths), or will they sand, wash down walls etc? You may find the preparation is where you can get involved and save some money.
- **Take into account council approval time.** If you need approval find out how long this can take. If you need building plans done, work with an architect who has dealt with that council... this inbuilt relationship could save you. Download a copy of the council's DA and planning guidelines and requirements from their website. Find out what needs approval and what is considered acceptable. You may find a 1m fence can be done anytime without approval but a 1.2m fence will take a 6 week approval process and incur an application fee.
- **Set aside a small part of your budget for landscaping.** This may be a few hundred dollars or a substantial percentage, depending on your needs and budget. It ensures the house looks 'finished' and makes a worthwhile first impression with renters or buyers.
- **And last but not least, try to have fun renovating!** When things get heated, take a 10 minute walk to clear your head or step back and try to assess the situation rationally. Your ability to deal with challenges can make or break your renovation experience.

**Don't forget to make use of the other practical and easy to use resources
in the Investors Choice Invest Kit.**

Available free to all subscribers.