

# How to renovate for a tidy profit

Smart renovators don't overcapitalise, reports Joanna Tovia

**T**HE golden rule when renovating a house is not to overcapitalise but it can be tricky knowing just how much you should spend.

Owner of buyer's agency EPS Property Search says spending too much is a common mistake, especially when homeowners are planning on selling shortly after renovating.

Consider the owner who pays \$460,000 for a three-bedroom, one-bathroom property and then spends \$75,000 renovating it. After taking into consideration buying and selling costs of \$35,000, Mr Bright says they need \$570,000 just to get their money back.

"When most tidied-up three-bed and one-bathroom places in the area are selling for mid-to-high 500s, you have done a lot of work for very little or no return," he says.

Mr Bright says when he used to buy, renovate and sell properties, he would work it all out backwards.

"I would work out the finished price I was likely to achieve for, say, a three-bedroom, one-bathroom property in an area, totally renovated."

For example, if the finished price was likely to be \$600,000, he would work out that renovation costs to bring this property up to scratch would be \$60,000. He would then add in purchasing and selling costs of \$35,000.

"Then every dollar below \$505,000 down to what I purchased the property for would be my profit."

Mr Bright says the best ways to improve the capital value of a home are renovating the kitchen, bathrooms, the landscaping and gardens, and a coat of paint.

"These areas are where you can get the best return on your investment."

He says other improvements you should consider are:

- Replacing rotten or fixing squeaky floorboards;
- Building a new fence;
- Fixing eaves and gutters or adding a driveway to a property;
- Adding natural light whenever possible;
- Opening up tight spaces with an open plan feel.

"Basically, fix anything visual that can create an objection."

People planning major renovation work such as moving walls or building a carport or deck have to consider council and other statutory authorities. Mr Bright suggests approaching the local council to have a



Be careful what you spend your money on

discussion about a proposal before lodging an application.

For those improving their house for their own personal use rather than to profit from selling it, Mr Bright advises creating a detailed wishlist before getting started.

"This will save you starting one thing then needing to change another to match, that could have been done at the same time if it was better thought out."

He suggests people spend time getting a feel for what they would like their new home or renovation to look like.

An ideas folder can be a good way to store photos, picture cut-outs, colour schemes, floor layouts, information on external finishes and information on internal finishes. This information will act as a design brief for the architect.

Establishing a renovation budget is also advisable.

"Many people run out of cash partway through as they didn't put the time in upfront to work out costs in detail."

Others just don't stick to a budget, Mr Bright says.

It is also a good idea to consider the separate costs of moving in, such as new furniture, appliances, etc. to go with your new styled place.

Mr Bright is a carpenter by trade and used to do 90 per cent of the work myself when renovating houses.

"If you aren't skilled in renovating, you will need a carpenter or builder to project manage or do the work."

Contact Patrick Bright at [www.epspropertysearch.com.au](http://www.epspropertysearch.com.au)