



## RENOVATIONS ALWAYS ADD VALUE

Carefully consider the pitfalls, John McGrath recommends

In today's less certain times, as many people are having to rethink their decisions about whether to move or renovate, it's important to carefully consider the pitfalls surrounding your ultimate choice.

There are many dangers lurking inside your next renovation, so tread carefully. Here are a few of my observations:

1. Think hard about whether to renovate or move. Both can be the right answer, so first look at what you're trying to achieve. If you really want a different lifestyle, then it's hard to achieve that without a move. But if you're just needing more accommodation or you love where you live but feel it's a bit tired, then an intelligent renovation can not only achieve those outcomes but also make money if you're smart about it.

2. Maintain the balance of your home. If you intend to add more bedrooms, make sure you have enough living space. If you don't, you'll pay dearly when it comes time to sell.

3. Get accurate estimates. Many people grossly underestimate the cost of their renovations. They often start the process and don't get detailed quotes from their architects and builders. Most of the costs of a renovation will come in the finishing touches. They can often double the costs, so make sure you get very

detailed information from your consultants. Once you're midway through a renovation it's generally impossible to turn back.

4. Spend wisely. Focus on areas and rooms that can add most value when it's time to sell. The rooms that generally add most value are the living spaces and kitchen areas. If you get these right you can invest \$100,000 and double the value in weeks. Get it wrong and you can end up losing money on the process.

Bathrooms are also important rooms and expensive if you get them wrong. Often a good-quality decoration can cost relatively little but add a lot to your bottom line. So if you're not skilled in this area, pay to get the advice and help of a quality designer.

*John McGrath is the chief executive of McGrath Estate Agents*



## BUYING OFF THE PLAN IS ALWAYS A GREAT WAY TO GET A BARGAIN

Contracts often heavily favour the developer, says Patrick Bright

Netting a bargain by buying an off-the-plan property sounds easy in theory but is harder in practice. To start with, quality developments in key areas will always be in demand, which pushes prices up, not down. You may end up with a solid, well-performing property over the long term, but it's hardly going to be sold at a bargain price.



The contracts often heavily favour the developer. For example, off-the-plan contracts allow developers to make variations in different areas such as the actual size of the property. Let's say they vary this by 5%. For the average two-bedroom apartment, this could result in a loss of five square metres of space. In dollar terms, this would reduce the value by at least \$35,000, assuming \$7000 a square metre. However, under this very real scenario your purchase price won't be reduced and the value reduction could be much more.

You also need to be certain that the developers and builders are going to last the distance. If they go broke, then be prepared for delays or cheaper finishes or both in order to cut costs to complete the project, thereby bringing the overall quality down.

There are certainly some windfalls to be had when buying off the plan, especially in cases where it's a solid, rising market. However, predicting the short-term property market cycle is difficult. So I recommend you treat off-the-plan property purchases with caution. *Patrick Bright is an author and buyer's agent, EPS Property Search*

## 5 HOT SPOTS

It has a seaside-village feel. There are many redevelopment opportunities as the suburb has recently been rezoned and the council is encouraging medium-density unit development. Reason to buy: proximity to the sea, houses are relatively cheap and the suburb is being upgraded through public and private expenditure.

### Chippendale, NSW (units)

Chippendale is only 3km from the centre of Sydney and close to the dining and entertainment hub of Darling Harbour. It is also known as the university suburb due to the number of campuses in the area. There is a mixture of old

buildings converted to apartments, historic terraces and new units along the narrow, tree-lined streets. Reason to buy: proximity to the city, adjacent the expensive suburb of Glebe, opportunities to add value through renovating and to increase your cash flow by renting property as student accommodation.

### Marrickville, NSW (units)

Marrickville is 7km from the Sydney CBD, adjacent to the more expensive suburb of Stanmore. It was a classic inner-city blue-collar area which is slowly being upgraded and gentrified. Opportunities abound for the handyman as the period-style homes are ripe

for renovation. Reason to buy: proximity to the city, relatively cheap units and gentrification is improving this suburb.

### Flemington, Vic (units)

Flemington is 4km from the Melbourne CBD. It has beautiful period-style homes lining the leafy streets. There are many opportunities to add value by renovating. It is only two train stations from Southern Cross Station. There is also excellent tram and bus access to the city. Reason to buy: proximity to the city, relatively cheap units with healthy rental yields.

*Peter Koulizos, www.thepropertyprofessor.com.au*