

# What is a



## “renovator’s delight”

Although the phrase is more often associated with run-down dumps, there are some properties that earn the title of renovator’s delight, as **Patrick Bright** explains.

You want to make sure that you end up with a solid return on investment if you’re embarking on a renovation project this year. So, how do you select an appropriate project when properties that just require paint and carpet through to those that need serious structural work are advertised as a ‘renovator’s delight’?

### Properties with profit potential

When undertaking a renovation project, obviously what you’re looking for is potential. Your first consideration is the condition of the property. Ask yourself are you searching for something a bit rundown, or a property that requires a serious amount of work?

You must also consider the needs and wants of the local market, and whether the property could meet them with the optimal value-adding improvements.

Finally, you need to consider how far you can take the property as you don’t want to over or under-capitalise. Some properties just need a facelift to gain a tidy profit. Other properties can be

totally transformed taking them to the next level and unlocking superior profits.

Roughly speaking there are four types of properties that tend to attract renovators:

The **patch ‘n’ paint** is a solid property, in good nick structurally but the décor is tired and/or dated. It needs fresh paint, carpet, fittings and fixtures, and the garden needs tidying up.

The **fixer-upper** is usually older and rougher than the patch ‘n’ paint. The décor needs updating, but it also needs a kitchen and bathroom makeover.

The **problem child** has structural issues. It might have cracks in the walls or need a new roof. Perhaps the wiring or plumbing is shot and needs to be replaced. These defects can

be expensive to fix but don't necessarily add any value.

The **knock-down** requires a top to bottom restoration or demolition. These properties often catch the eye of developers, especially if they're in a great location, on a large block or have fantastic views.



You want to spend your renovation budget on improvements that tenants and buyers can see because that's how you add value.

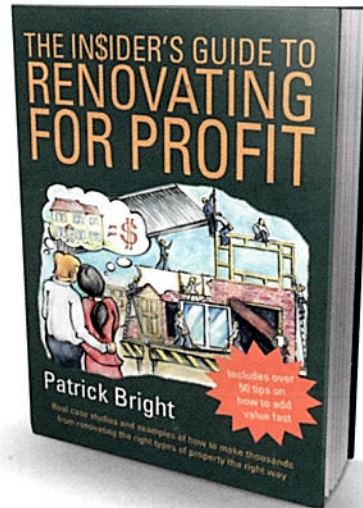


The amount of renovation work you should attempt depends on your knowledge, skills, experience and contacts. In general I would avoid the problem child properties that need structural work. You want to spend your renovation budget on improvements that tenants and buyers can see because that's how you add value. Spending money on fixing defects that nobody can see doesn't add value, but eats into your renovation budget and profits.

### Meeting market demand

I believe renovating for profit is a people business, not a property business. That's because the tenants or buyers of your renovated property are the source of the money – from either the rent you receive for the renovated property or the profit you make when you sell it.

So to maximise your return you must create a property that tenants want to rent and buyers want to buy. That's the golden rule of renovating if you want to make a profit.



If you intend to hold the renovated property then you need to research your target tenants for the suburb. When you match a property to the target tenants you're less likely to have vacancies or need to discount the rent to get someone in.

Talk to property managers and find out what type of properties are most sought after in the suburb. Tell them you're looking at buying an investment property in the area, and ask them what tenants prefer. What sort of property is in short supply? What rents the quickest?

In this suburb do tenants prefer houses or apartments? Do they want one, two, three or more bedrooms? Do they require parking or not? You need to know these facts before you can make an informed decision on what to buy.

If you intend to sell the property once you've renovated it, the same principle applies but now you must consider the wants and needs of buyers rather than tenants. While there are a lot of similarities there are differences you should cater for.

Some features of the property you can improve to meet market demand, but some features – such

as the location and aspect, etc. – are fixed. You can do a first-class renovation, but if the property backs onto a rail line you'll have trouble renting and selling it. That's why property selection is so critical.

If you follow the above steps the experience should be a renovator's delight, instead of a renovator's nightmare as many renovations projects turn out to be. As I always say, you can always improve a property, but you can't improve its location so select not only the property but the location wisely.

*This is an edited extract from Patrick Bright's latest book 'The Insider's Guide to Renovating for Profit' available from [epspropertysearch.com.au](http://epspropertysearch.com.au) or any good book store. **W***

