

# Renovate your property to sell high fast!



**Jane Eyles-Bennett reveals the secrets to achieving maximum sale**

**price through minimum renovation costs**

**R**enovating a property to sell is a very different proposition compared to renovating to live in yourself or rent out to tenants. The main differences revolve around the actual changes you should be making to the property, such as areas you renovate, products and materials you use, and the other is the amount of money you will spend on making those changes.

## **Working out the feasibility of the project**

Before embarking on a renovation, work out the viability of the project. If you're renovating just before you sell (or buying a property to renovate and

then 'flick') then you will need to start by figuring out what your potential sell price is.

To get the ball rolling, I recommend looking at a few real estate websites. Have a look to see what other properties similar to yours are selling for. Look for properties that are already renovated, are a similar building style to yours, have the same number of bedrooms and sit on a similar size piece of land. You can also talk to local real estate agents and go to open homes to work this out.

Then do a reverse feasibility study on your proposed renovation. This is where you take your potential sale price and subtract your expenses and expected profit in order to work out your renovation budget. Or subtract your renovation costs (if known) and expenses from your potential sale price to work out your expected profit.

## **Tip!**

**I usually recommend spending between 5% and 7% of your property's pre-renovation value on renovating the entire property (less if you can manage it)**



## Reverse feasibility study

### Property values

Value of other renovated properties in the area .....	\$480,000
Less the property's current value .....	\$400,000
Potential increase in your property value .....	\$80,000

### Costs

Renovation cost (in this case 7%) .....	\$28,000
Holding costs (mortgage) for duration of reno (5 weeks) ....	\$3,000
Agents fees/advertising, etc .....	\$13,000
Legal fees .....	\$1,000
Total costs .....	\$45,000

### Expected profit

Potential increase in your property value .....	\$80,000
Less total costs .....	\$45,000
Expected profit .....	\$35,000

### Money matters

So now you have an idea of what profit you're expecting to make – are you going to go ahead with your renovation? If your expected profit is \$10,000–\$20,000, is it really worth the risk and hard work?

If you're happy with the profit you've calculated, then the next step is to look at your proposed budget and work out how to best spend it.

This of course is the tricky bit. It is a fun process working out the ins and outs of a renovation, but all too often the heart takes over from the head and renovations become an emotional process. Making the property look great is an important factor, but keeping to your budget is even more so. Every dollar you spend over your pre-determined budget is money out of your back pocket and your profit can take a slippery slide downwards from your expectation.

If renovating your property to sell, then you are essentially carrying out a business transaction. Put your businessperson's hat on and have it on every time you see or discuss the property until it sells.

You don't need to spend a lot of money to create a great looking property – believe me I have renovated the worst of the worst properties. You just need to spend your money doing just the right things in just the right way. It's great to get ideas from TV


shows and magazines, but make sure if use their tips they are relevant to your property. So often I see people renovating parts of their property that simply don't need it – because they saw this show or that magazine article of someone else's property who needed that particular sort of renovation. Or they renovate their property using colours and materials that are just not appropriate. Researching all the types of materials and products for your renovation is essential. And using the right ones for your property style, area, location and value of your property is what makes the difference between a profitable renovation and one you just learnt a lot of lessons from.

The trick is in renovating your property so that it offers value to your purchaser. If your property has what they want at a fair price, then yours will be the one they buy. If you overspend on your renovation (and need to increase the price of the property as a result) or if you renovate it in a way that doesn't appeal to buyers, then they'll end up buying another property down the road – not yours.


### What parts of the property will you renovate?

My rule is to first and foremost renovate or 'trick up' the exterior of the house including the garden and fences. Why, I wonder, do people spend tens of thousands of dollars on

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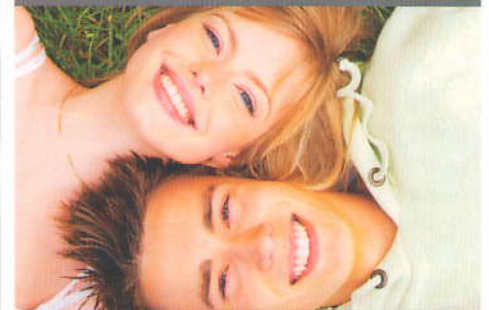
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renovating their kitchen and bathroom areas but then do almost nothing to the outside? It's completely natural for people to judge a book by its cover – in this case judging the house from the road – so why not give them the best first impression you can.

When selling a property, you generally have only one chance to impress potential buyers. The interior photos on the advertisement only do half the job. If a potential buyer turns up to a property that does not reflect on the outside what the photos say is going on inside, then they are very likely to drive on by. Again, you don't need to spend a lot of money to create a more appealing exterior. Renovating just a few key areas can often totally transform it – so make this a priority if you're planning on selling the property at some stage.

The next most important areas are the entry (or the first area you see on entry to the house) followed by the kitchen and lounge areas, then the bathrooms and bedrooms.

Again you don't need to spend an arm and a leg to get a really great result. Spend a bit more on the kitchen and bathrooms (say .75%–1.5% of the property value for each area) to trick

it up whenever possible. Giving an overall cleaner, fresher appearance will create a very appealing property so using clean colours and crisp looking products is essential.

#### Who is your target market?

The next thing to consider when working out which parts of the property you'll renovate, is what your target market wants. Who is your target market and what do they place value on?

Look at the area your property is located in and make sure it fits with the needs and wants of the sorts of people who live there (for example,

» Don't paint the entire house exterior if just painting the trims and tidying the garden will improve it 'enough'

retirees, young families, students, young professionals, etc). If it doesn't currently suit your target buying market, then do whatever you can within your budget to create that.

For instance, a retired couple will see value in a low care garden that they can nurture and add to. They will probably want a decent amount of storage to keep their life time of treasures in and perhaps a shed for gardening gear and hobbies.

Young families will see real value in (among other things) a fenced-off

yard for children to play in, so consider creating a secure yard area if that is possible. They'll also want a bath for bathing the children and perhaps a suitable 'play' area near the lounge or kitchen areas.

Young professionals will value low maintenance properties, so at least simplify fussy, high maintenance garden areas. They'll no doubt want all the mod cons too – so in the kitchen, make sure there is space for a dishwasher and microwave (and probably a coffee machine, too!).

Students will value study spaces in their bedrooms and locks on their doors, so buyers of investment properties for student accommodation will look for these types of things. Create a property that is especially user friendly and an investor will see that downtime during holiday periods will be minimised – tenants will be reluctant to 'give up' the property for fear of not finding anything as good when they come back from their break.

So spend a bit of time thinking about who your target market is and what these people place value on before you begin your renovation. Also do some research on what else is on offer. Again, look on the internet and visit as many open homes as you can in your suburb and those surrounding it to see what your competition is. You may find that there are 10 other properties similar to yours – and this is when you really have to think about what

your point of difference is going to be. Why will someone buy your house and not the one down the road? Partially the reason will be price, but like in business, price is lower down the list when it comes to the reasons people buy. If it suits their needs, they are likely to spend more money and buy more quickly.

Do your research first. You should be able to justify absolutely everything you do and every decision you make during your renovating project. Don't make it up as you go along and don't

just do something because it will 'look nice'. Aesthetics are very important, but you must aim for a perfect balance between good looks, practicality, reasonable cost and availability of products in your renovation.

### Keeping to your budget

So now you know that your renovation is feasible from a profit-making perspective. You've worked out your approximate renovation budget in order to make the profit you want. You know who your target market is – and generally what you're going to do to your property in order to meet their needs and wants. Now you come to the crunch – the exact details of what you will do to the property in order to meet those criteria (profit, budget, needs and wants of your target market).

The most common question I am asked at this point is – how can I possibly renovate my entire property for under (say) \$28,000? The most important thing to know is that it IS possible to renovate your property for such a small amount of money – even

if you don't have all the freebies they get on the TV shows or the 'behind the scenes' tradespeople carrying out all the work. I have many clients who have renovated entire properties for between \$10,000 and \$15,000.

It's a matter of identifying and changing just the components within each area of the property that really need it. Don't paint the entire house exterior if just painting the trims and tidying the garden will improve it 'enough'. Don't replace the entire kitchen if just changing the benchtops, door handles and splashback is 'enough'. And don't completely reconfigure your bathroom if you can get away with replacing the shower screen, vanity, toilet and towel rails.

Get the idea? Look at the areas in the property and note the best bits. And then leave these as they are. Work around these things when replacing or renovating the other components so that everything ties in together once the renovation is completed.

When selecting the products and materials to renovate or replace the components within your soon-to-

be-sold property, you can generally afford to go for a lower quality than if it were a property you were going to live in yourself or hold onto for years to come. You still want a good quality finish but if you have to choose between a \$500 toilet and a \$150 toilet, you will still get a good enough quality with the latter.

You will get a much better result from your renovation, and a much bigger profit when you sell (or re-value, etc) if you are prepared to do your research and plan your renovation well. Minimise your risk by spending the time upfront to plan your renovation based on the facts. Keep your business head on at all times and reap the rewards of your successful renovation. 📌

*Jane Eyles-Bennett is the director of Hotspace Consultants. She can be contacted on 1300 90 88 90 or visit [www.HotspaceConsultants.com](http://www.HotspaceConsultants.com) for more renovation ideas and a FREE renovating guide e-book with details of 15 amazing property transformations*

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