

BY JANE EYLES-BENNETT



The secret to adding

There are many things to consider when undertaking a renovation, but most important is to distribute the money specifically and appropriately throughout the property – and making sure the renovation stays on track, writes **Jane Eyles-Bennett**

Firstly, if you are considering renovating a property in the near future, then congratulations.

Now is the time to renovate if you want to add value to your property where it would otherwise sit at the same value, earning the same rental income until the market decides to shift.

Your pro-active attitude will reward you in more ways than you may see immediately. You'll be able to:

- Increase the value of your property without waiting for the market to move
- Increase rental income
- Use increased equity to buy another property
- Take advantage of the hot deals available in the current property market
- Get good deals from suppliers and tradespeople as they compete for work.

Be aware that now is the time too, to be extra vigilant with your renovating. Adding value to an investment property is as simple as being specific and calculated. As an investor, you are specific about your finances and you are specific about your structures. You have a clear strategy or system that you follow and you rarely deviate from that once you've finalised your plan.

The same should be true with renovations. However, there is often a grey area that is caused when the actual renovating plan blends in with real life – and therefore emotions. Setting your renovation goals and making a plan to achieve these goals requires you to be in the 'specific and calculated' mind-set. Think like a business person and move the pretty imagery of what you imagine your own ideal home might be like aside for the process.

In most cases, a property can very effectively be modernised by improving just 20-30% of it and

spending just 5% of the pre-renovation property value. You can see by these figures that you absolutely must be specific and calculated with your renovation or you are sure to over-capitalise.

It's not only the areas of the property you choose to renovate that will make a difference, it's what you do to make it look great and still keep the renovation within your budget. You need to get creative during this process and avoid spending all your money in one area.

The secret to adding value is in distributing the money most appropriately throughout the property. A brand new kitchen is no use in a property that remains with a shabby exterior. And a tired kitchen will lessen the value of a property even if the bathrooms are shiny and new.

Distributing money through the property can be done effectively by considering the impact the current state of a particular room

TIP

Get what you want from tradespeople and suppliers by being fair, patient and respectful



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value

or area has on it. You also need to consider the probable cost bracket of a renovation for that particular room or area.

Let's say for instance you have a \$20,000 budget. In this example, the kitchen is very worn and old fashioned; the bathroom is okay but could do with updating; the flooring is okay as is; walls are not good; lighting – terrible; exterior okay other than the garden and fence. At first glance you might think that the kitchen is going to be your biggest expense, but by renovating just parts of it (say the bench-top, splash-back and cabinetry handles) you can cut your costs reasonably significantly.

Next is the bathroom – you're pretty sure you could update this without too much expense – simply by renovating just the key parts. Flooring needs no alterations and the walls need painting throughout. Other than that, the

Item	Specification	Finish	Supplier	Installer	Supply cost \$	Installation cost \$	Notes
Kitchen \$4,000							
Bench-top	Laminate 50mm thick square front edge with flush-mount sink	Formica XXXX	X company	X person	1,800	200	I will collect from supplier and deliver to site on x date
Splash-back							
Cabinetry handles							
Etc...							
Bathroom \$2,000							
Etc...							

exterior needs a tidy-up and the fence painting.

Allocate a percentage based on your gut feeling for what you have identified about the rooms or areas you're planning to renovate. In this case, I would probably allocate 20% to the kitchen, 10% to the bathroom, 30% for the walls, 15% for the lighting and the remaining 25% for the work to the exterior.

As with all good plans – start with the end in mind. Use this 'funds allocation' process to start with and work back from there.

Design yourself a spreadsheet to keep all records for your renovation. It might look like the spreadsheet above.

As you go through your renovation,

visit the property frequently so that you stay on top of any issues and can rectify problems as soon as they arise. Misunderstandings, double-ups and confusion do happen, so there needs to be one person in control of the process.

Again, use your business mind when you are on site. Get what you want from your tradespeople and suppliers by being fair, patient and respectful.

A qualified renovations designer will help you allocate your funds appropriately and help you maximise the return you make.

Avoid carrying out the work yourself (unless it's your passion!) and employ qualified tradespeople to do the work for you. A project manager will co-ordinate the various tradespeople on your behalf and I highly recommend this as a way to achieve a top quality, quick turnaround, profitable renovation ▲

Jane Eyles-Bennett is the director of HotSpace Renovations.

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