



**LIST:  
OF ADVICE**

Renovation Queen Jane Slack-Smith is well known for her confident moves in the world of property investment. In her new book *Your Property Success with Renovation*, she offers advice on managing a cosmetic renovation on your home

Indeed, some people include having access to the property before settlement for the purpose of getting quotes as a condition in their letter of offer. Your letter of offer could also request access to actually do renovations. This is risky and may be a deal breaker for the vendor because if settlement does not go ahead they could end up with half a kitchen and you have wasted your money.

**GETTING STARTED**

There's plenty of number crunching and milestone planning involved in even the smallest renovating job. If you know exactly what you need to do and how you'll need to go about it, it will reduce your chances of the project going off the rails and taking longer and costing more than intended. Basically, you need to know how to organise a quick renovation.

**Economise on materials**

Shop around as you may be able to find discounts on some of the materials you need. Where possible, aim for materials that the supplier currently has in stock, preferably in surplus, as there is a far smaller chance of getting a discount when materials have to be ordered in. Only do this for tasks that you're confident you'll be able to do yourself, as some tradespeople won't use materials if they can't guarantee their quality. Carpet suppliers and Caesarstone providers often have leftovers from big jobs. Ask them what they have and what discount you can get. Consider looking in the local trading post or on eBay for bargains.

**Go for quality where it shows**

It's worth investing in decent quality finishing products such as paint and fittings, as these will be on display and take the brunt of the property's wear and tear. Save money in the long run by reducing the need for future touch-ups.

**Y**ou've completed your renovation research and you've decided you're interested in doing a quick cosmetic renovation on your property. You probably have about six weeks between the time your offer is accepted and the day of settlement so now is the time to start preparing for the renovation.

**Get several quotes**

When looking for professional trade help, get two or, better still, three quotes in order to give yourself a large enough sample to make an informed decision. Make sure one of them is a local.

Once you have three quotes it's time to get to work. Revisit your budget against the quotes and check that everything is still on track. If you realise your estimate for a particular job is way under the actual quote, decide whether that means you have to sacrifice something else. Once you are ready, check the tradespeople's references. You can even visit the site where they are currently working to check that they are qualified to do the work. For example, in some states plumbers must have specific licenses to do bathroom, laundry and kitchen renovations.

**PLANNING A RENOVATION**

Planning is vital not only for calculating budgets, costs, design elements and estimated finished values, but also because of the time factor. There are two things that bring a renovation plan unstuck:

- getting emotional about the renovation and losing sight of the numbers
- delays with tradespeople and materials.

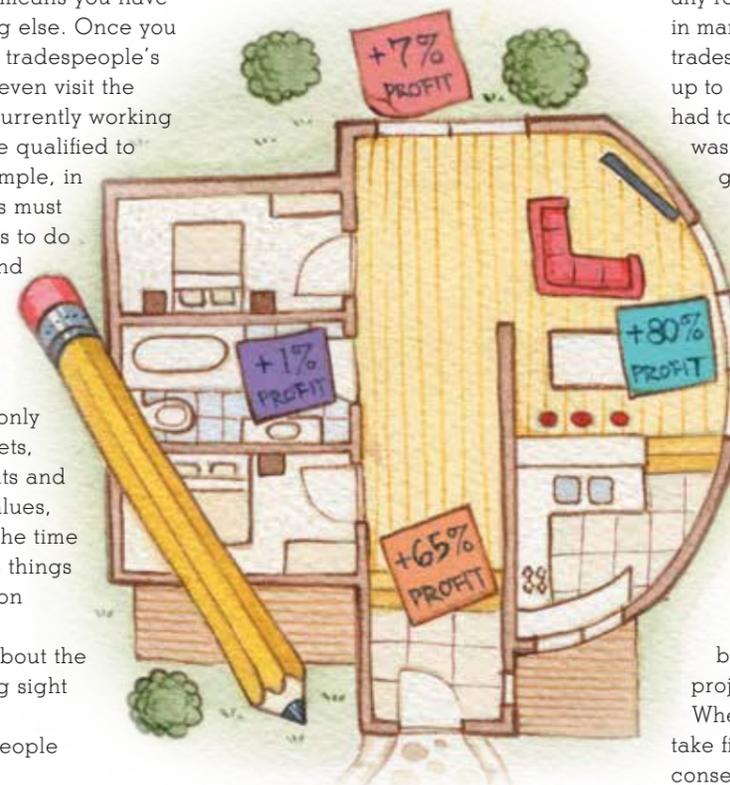
It is one thing to calculate the cost of a renovation and what this will translate to in profit; it is another to actually do it. I am also guilty of getting bogged down and getting emotional – it happens.

You have looked at five tile shops you have quotes coming out of your ears. In addition all the colours seem to look the same. Then a clever salesperson shows you the ideal tiles in the perfect colour – but not at the perfect price. 'Surely an extra \$5 per square metre is not such a big deal,' you say to yourself, and you buy them.

Decision made. Finally you are in a happy place. Mentally you have moved on to the carpet selection when the salesperson hands you your receipt and as you walk out the door

you realise that the budget is blown. It happens: you could be tired, frustrated over it, or you may just have felt under pressure to make a decision.

There are no good excuses. Separate yourself emotionally from the renovation. And if you are tired, worn out or run down don't make the final decision – you may just need a walk around the block to regain perspective. Pull out the budget and make the decision: if you are overspending by \$500 here, then where will you cut that from?



Even the simplest items can alter the cost-versus-value-added equation. When tiling the bathroom for example, you may 'love' the \$124-per-square-metre imported Italian tiles, but the \$15 tile will do the job just as effectively. You need to remember that it's an investment strategy and every cost needs to contribute to an overall return on investment.

You should be prudent about renovations. Although the colour of the bathroom in your investment unit may offend you, it only makes financial sense to change it if renovating the bathroom will stop the unit sitting vacant or lift the rent you can charge. Seek advice from your property manager and your tax accountant, and make a cost-benefit analysis of your

proposed renovations. If the bathroom is going to cost \$12,000 and you'll have to borrow the money and pay interest, but it will only add \$5 a week to the rent, it's probably better left as is. You shouldn't over-capitalise by spending too much on renovations, or finishes and fittings. However, if it is going to add \$40,000 in value and you can draw on that to contribute to your next property, it may be money well spent.

The second thing that can bring down any renovation is delays. This can come in many forms. Initially it can be that the tradespeople who said they would turn up to quote never did, or the carpenter had to pick the kids up from school as it was raining, or the electrician did not get his work finished so the kitchen installer's next available day is not until next week... and so it goes on.

As the project manager of your renovation you simply have to deal with it. No matter how you plan your project – on paper, in Excel or in MS Project – you need to work in some contingencies. Yes, nearly everything that needs to be done is dependent on the thing before, so allow for a buffer of time in this instance when project planning.

When your builders tell you it will take five days, ask them if they are consecutive days. You may think that you will have the job done in five days – but they have other jobs and are planning on giving you a few days a week over the next fortnight.

With building costs ever increasing and potential delays, you need to consider the effects of these on your renovation. During periods of slow capital growth, renovators will need to rely solely on improvements they've made to add value to their properties and not growth, if this is the case. Remember, even if one of the prongs of your Trident Strategy for low-risk property investing does not make you money, the other two will – just stick to the plan.

By the time you have the keys in your hand, you should have a completed renovation plan with estimated costs. ➔



You should then note down which tradespeople you need and plan who should do what. I then suggest you go through the property room by room and list down what each tradesperson will be doing. This then becomes the specifications that your tradespeople will quote to.

Each electrician is quoting on the same job. By all means ask them for suggestions. Remember these guys do this every day. If you have an image in mind, pull out a picture from a magazine to show them. Share the plan.

Once you have selected the tradespeople and confirmed their start dates you are ready to start sourcing and ordering the fixtures and fittings. Try not to have everything turn up at once. Have your deliveries arrive a few days before they are needed or people will be tripping over each other.

You may decide that working and running a renovation site is too much for you. There are options: you could appoint the builder, for instance, as your project manager, but of course they will charge you a percentage for their work. Or you could appoint a project manager with their own team, but expect this to be 10 to 20 per cent of the building cost. An extra \$5,000 on a \$50,000 renovation could be a good investment if it is saving you pain, stress and worry!

Only once you have your tradespeople ready and appointed and the fixtures and fittings ordered can you have a few days' rest before it all starts in earnest.

### SCHEDULING

There are some handy tips you may want to take into consideration to make the renovation flow a bit more smoothly. Some may also assist you in ensuring a practical order of tasks. For example:

- Leave replacing your carpets or floor coverings to last as these will get trashed with everyone walking through the property.
- Paint from the top down.
- Finishes such as splashbacks for stoves and frameless shower screens can only be measured and fitted after the tiling is done so allow enough time to complete those jobs.
- Don't try to complete one room at a time. Have your tradespeople do everything they can across the entire property while they are on site. Sometimes when they go off to 'do a quick job' they can be gone for weeks. I'm not exaggerating!
- If you are living in the renovation be aware that paint and even waterproofing can have deadly fumes so don't plan to sleep in the property immediately after application.
- Leave the landscaping to the end as you may find that it gets trashed with all the tradespeople and equipment moving through it.
- Start and end by being nice to your neighbours. Take them a case of beer or a cake and let them know when you are starting and when you plan to finish. They will have their lives turned upside down as well for a while, so be considerate.

Planning and executing your renovation project is the final part of the renovation story – nearly. Remember that you are doing this to

make money and add value so the final step is to find out how much value you have added.

### SUMMARY

The potential summary list for this chapter is too long to contemplate, but let's get some pointers on the page.

- Ensure your property is structurally sound before you start. Have it independently inspected because termites, rot, old wiring and old plumbing could easily add \$25,000 in unforeseen extras.
- Make sure that your design concept is top-notch – do not compromise on this. Check out trends in magazines and inspect properties in the price bracket or above that you are renovating to.
- Make sure the working drawings and specifications are detailed and accurate. This will minimise costly variations.
- Do not over-capitalise in middle markets as this can be an issue. There's no norm to this, but the usual caveats apply: work within a budget and keep an eye on resale prices in your immediate vicinity.
- Remember that the kitchen and bathrooms are probably the most important areas of the house – at least for the renovating-for-profit strategy. When the market is performing well, costs can be recouped quickly. When the market is flat and there is renovation activity, buyers become more discerning so improvements can add value and act towards distinguishing a property from the rest. But you also can over-capitalise.

- Remember that a cosmetic renovation strategy is not a full-blown structural renovation. It is mainly about a perceived value (not an actual value). Ensure that everything you do is a benefit that will derive a higher rental price or improved value. Fixing the old roof, replacing wiring, re-stumping and fixing white ant damage will arguably improve the value of a property but they are dollars spent without a direct reward or 'wow' factor. Would you rather spend \$10,000 on a fancy new kitchen or on fixing the roof?

### THE RENOVATION SAFETY NET

If you have followed the Trident Strategy for low-risk property investing, you have created for yourself a renovation safety net. Imagine this is your first property and you did not get a great discount and your renovation has a bit of a blowout and it all seems like you just missed out on making a profit. Take a deep breath. You've done well. You've started: you've done the work needed to find a property and you've worked through the renovation with your sanity intact. All these things are a great achievement. And if you have followed the process and you did the research and you identified an area of growth, then the safety net has worked as

one prong of your strategy is still working for you in creating equity. Don't be too hard on yourself as most people who buy investment properties only start with one strategy to make money and when that fails they have no plan B.

Remember that it all started with developing your buying criteria. One of these was capital growth. For instance, you may be targeting areas with predicted capital growth expectations above 8 per cent per annum. Now, six months down the track, you have had your head buried in your renovation with only a cursory look at the market. Take a closer look. Expected growth has exceeded your calculations and that of the experts and you are closer to 10 per cent per annum growth so in that six months your property has gone up in value by 5 per cent. For a \$400,000 property, that's \$20,000!

It's the Trident Strategy for low-risk property investing in action. Even if you mess up, the safety net is there to save you. Thus, if you play it right not only do you have the opportunity to make money through the renovation and when you buy, but then capital growth also kicks in: k-ching, k-ching! 🎉

### THE TRIDENT STRATEGY

**A three-pronged investment strategy that represents the ways you can make money in property using low-risk strategies:**

- Buy a property below its market value
- Buy in an area experiencing above average capital growth
- Add value through a planned renovation, on budget and on time

### Your Property Success With Renovation by Jane Slack-Smith

\$29.95. Copyright © 2012 by Jane Slack-Smith. Reprinted with permission of Wiley. Available where all good books are sold. Available in print and ebook formats. [www.wiley.com](http://www.wiley.com) ISBN: 9781118319277

