

Cash converters



If you've got a renovation in your future that you expect to improve your property's value, then listen up. **Karen Fittall** unveils a few money-spinning tips before you start.

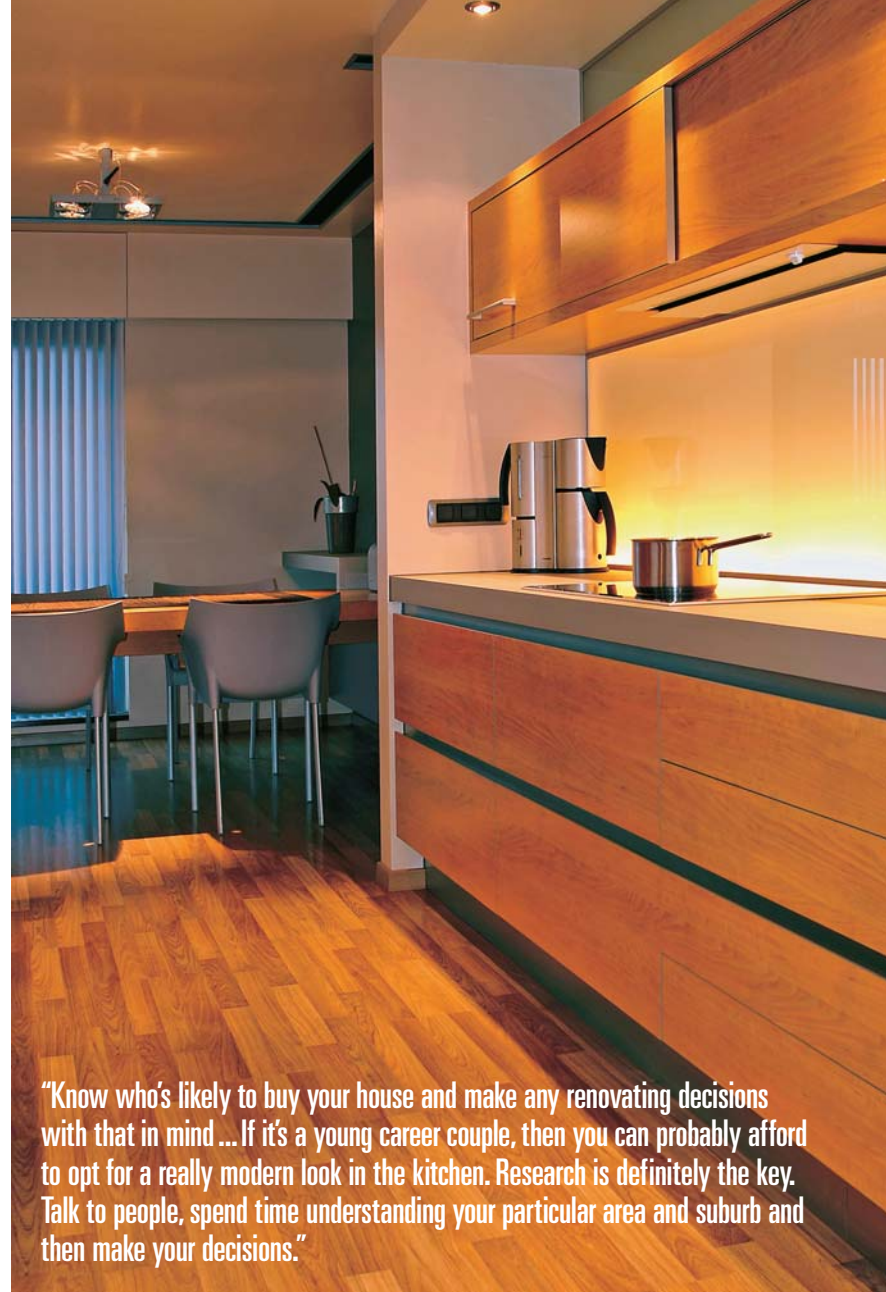
Kitchens, bathrooms, going up, pushing out, landscaping – when it comes to renovating, the options are endless. But, if your plan is to make some money from your renovation by increasing the value of your property, then it pays to box clever with which areas of your home you choose to renovate and how you do it. Why? Because not all home improvements to your bricks and mortar will have a positive effect on your bank balance.

"It's definitely important that you don't overcapitalise," says Tony Brasier, president of the Real Estate Institute of Australia. "That's of particular concern if you plan to renovate and then sell the house quite quickly – you need to make sure that the money you spend on the renovation doesn't wind up being more than what you can realistically sell the property for, minus what you paid for it.

"If you plan to stay in the property for the long term, it's not such a problem, because increasing land values will compensate and it's also more important to suit your own needs. But if you know you'll be selling in the short to medium term after a renovation, then it's definitely something to be aware of."

So, according to Brasier, the first thing you should do is learn about your area, trying to glean a good understanding of local house prices. "There's no point spending \$100,000 on a renovation, thinking that you'll be able to sell the house for \$500,000, when that's just not realistic for your area. So talk to local real estate agents, do your own research, and be guided by what you discover."

Then it comes down to the nuts and bolts of what will and what won't add value to your property.



"Know who's likely to buy your house and make any renovating decisions with that in mind ... If it's a young career couple, then you can probably afford to opt for a really modern look in the kitchen. Research is definitely the key. Talk to people, spend time understanding your particular area and suburb and then make your decisions."



Special finishes such as a granite bench will pay dividends when it's time to sell.



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As a general rule, renovating a tired old bathroom or kitchen will add value to your property, because these rooms appeal to the prospective buyer. But there are still a few pitfalls to avoid.

“Those rooms can definitely add real value, but they can also be quite expensive to renovate,” explains Brasier. Which, when you think about it, makes sense – take into account things like waterproofing, plumbing, electricals, not to mention the fittings and finishes, and it’s easy to see that it all adds up.

“So, while it can make sense to renovate these rooms, it’s important to consider how much money you’re going to spend, making sure your spend is relative to the overall value of your property.” For example, it doesn’t make good sense to put a \$30,000 kitchen or bathroom in a \$300,000 property, because you’re unlikely to recoup your costs.

But, on the flip side, putting a \$5000 kitchen in a \$1 million property isn’t advisable either – at that price, prospective buyers will expect quality fittings, finishes and appliances.

According to Brasier, landscaping is another area where it pays to invest – particularly if it improves your home’s street appeal. “First impressions count, so improving street appeal will definitely

add some value to the property. Even just making it look neat and tidy can make a big difference.” In fact, according to real estate experts, a good landscaping venture can add as much as 10 per cent to the value of a house.

Something else that has a similar effect? Adding a bedroom. “Definitely – if you can add an extra bedroom to a property by putting an extension on or changing the floor plan, then that can certainly increase a home’s resale value,” says Brasier.

And, given our penchant for a serving of outdoor living in this country, a beautiful deck or outside ‘living room’ is another renovation that will always appeal to prospective buyers.

So what are the don’ts in the renovation game? What do the experts think is a waste of time and money when it comes to boosting a property’s value?

A big one is the swimming pool – some people love them, but it’s a well-known fact that they won’t improve the value of your house.

“That’s basically because, while you might love them, not everybody does, and a lot of people don’t want to maintain them. This is another time that you need to ask why you’re renovating – if you and your family would use a pool and plan to be in the

A pool might make for family fun while you enjoy the house, but don’t expect it to be a major factor in the value of your property.



property for the long term, then it might be a good decision. But don’t put one in thinking that it will increase the value of your property – at a cost of between \$30,000 and \$45,000, you’re unlikely to recoup that when you sell.”

Something else to remember is that while a fabulous outdoor living area can be a money spinner, if you’ve chosen to renovate that over doing up a kitchen or bathroom that’s desperately in need of a makeover, you’ve probably made a mistake in terms of increasing your home’s value. The golden rule is essentials first and luxuries later when it comes to renovating for profit.

And what’s Brasier’s final tip for getting the most out of a renovation?

“I’d say do your research. Know who’s likely to buy your house and make any renovating decisions with that in mind.” So, if it’s young families, don’t be tempted to do away with that tub in the bathroom or convert the fourth bedroom into a walk-in wardrobe. If it’s a young career couple, then you can probably afford to opt for a really modern look in the kitchen. “Research is definitely the key. Talk to people, spend time understanding your particular area and suburb and then make your decisions.” **■**