

HOW TO RAISE THE RENT BY 10%

We look at the key do-ups that will raise your rent by 10% without risking vacancy. By **Diana Clement**.



RENOVATIONS SHOULD ADD VALUE.

The reality is if you're running your property investments as a business, renovations need to bring in a higher weekly rent, or money isn't being well spent.

Well-chosen renovations can add 10 per cent or more to the weekly rent. Others, however, cost an arm and a leg but only add value on paper, not the rent itself.

In order to raise the rent, a renovation must deliver tangible value to your tenant – no surprises then that almost every expert we spoke to said the top renovation is adding bedrooms. A three-bedroom property, for example, will rent for more than a two-bedroom, even if the footprint is the identical size.

That's because renters either want to put more people in the house or would like to use the extra bedroom as a study or media room.

THE EXTRA BEDROOM

Depending on location an extra bedroom can add \$100 to \$150 a week, which on a \$400 or \$500 a week rental is a significant improvement to the yield.

The cost of an extra bedroom can range quite literally from \$2,000 for a simple dividing wall to a \$200,000 extension on a difficult site. Consequently, investors really need to do their homework before buying.

Mark Trafford, director of Maintain to Profit says the cheapest way to add an extra bedroom is to choose a property where part of the living area can be walled off to become another bedroom.

A simple dividing wall and door costs from \$2,000 Trafford says. "If you are adding a dividing wall it doesn't necessarily need council permits if it's not structural." But do check first with your local council.

The next most common job is to move the kitchen into the lounge/dining and turn it into an extra bedroom. Providing there are no major hitches this is straightforward, says Trafford and can cost \$10,000 to \$15,000 in total.

Kitchen conversions are also a favourite of investor and property coach Ron Hoy Fong who runs RonovationNZ. Hoy Fong has quite literally advised on thousands of such renovations. Hoy Fong and his clients look for two-bedroom properties of around 80m² that can be turned into three bedrooms. He points out that 80m² is a mansion compared to new three-bedroom apartments.



It's cheaper than you think to move a kitchen, he says. Such a renovation does require the services of an electrician and plumber and sometimes a builder. Rather than using existing cabinetry he buys reasonably priced replacements including white ware from Mitre 10 or Bunnings Warehouse for about \$5,000 to \$6,000. All up the renovation can cost less than \$10,000.

Many of Hoy Fong's renovations have been in middle to higher-end suburbs of Auckland such as Remuera, Meadowbank and Sandringham. In those areas, the third bedroom can add \$150 to \$250 per week providing you've chosen a good blank canvas to start. "You can't make a cupboard into a third bedroom and get an extra \$250," he says.

Such kitchen to bedroom conversions usually don't require planning permission unless there is a bracing wall involved, says



**YOU CAN'T MAKE
A CUPBOARD INTO
A THIRD BEDROOM
AND GET AN
EXTRA \$250**
- RON HOY FONG

Hoy Fong. Even then, obtaining council permission is usually straightforward for such a job.

THE GARAGE CONVERSION

Garage conversions are another way to squeeze additional rent from a property. A standard double garage can give you 30 metres of indoor space, says Trafford.

Garage conversions often cost around \$30,000 says Trafford, but a standard double garage will have around 30m² of usable space, which can in theory be turned into two bedrooms or a bedroom and lounge/office.

Conversely Gordon Edginton, director and valuer at Prendos says adding a garage or a carport with built in storage can add \$20 a week to the rental and a full enclosed garage around \$50.

GRANNY FLAT CONVERSION

One of the easiest conversions to do if the property is on a slope, says Edginton is to build a room or separate tenancy under the home. This doesn't need a roof, which reduces building costs. The actual building work for such a conversion will cost around \$1,500 a square metre, although excavations and council permissions can bump the cost up. Each extra bedroom created will add around \$100 to \$150 a week to the rent, says Edginton. Or if you can create a standalone one-bedroom flat with sound and fire protection within the same space it's possible to add an extra \$300 a week. Tenants will expect separate off-road parking for the flat and at least a private courtyard area. Edginton says 35m² of extra space to the existing home could cost around \$50,000 to build. The same area in a dedicated flat would cost around \$70,000.

THE PAINT JOB

Whilst many investors think that renovations are only renovations if there is hammer, nails and GIB board involved, the reality is that one of the most profitable renovations comes at the end of a paintbrush says Trafford. It can turn a tired home into one that is much more appealing.

Hoy Fong says most homes he buys are quite tired and the paint job can really lift them. Expect about \$100 a week extra for a newly painted three-bedroom house, providing the work looks professional.

It's a really good idea to choose neutral colours for the interior and slightly lighter than you envisage, says Karen Warman, marketing manager at Resene. "Tenants think: if the landlord looks after the house like this, he will want to look after us as well."



KNOW YOUR NUMBERS

New investors are sometimes dreamers when it comes to renovation and the financial outcome. Those that believe property investment is a get-rich-quick scheme often have jaw dropping moments when they realise what a renovation will cost.

This is most often the case says Nick Leko, architect for Refresh Renovations when they think they can whack on an extension and create an extra bedroom or space that way. Extensions are notoriously more expensive than people think.

"Extensions are one of the most expensive projects to do because of

the economies of scale," says Leko. "They cost \$80,000 upwards. There are much cheaper ways to add extra bedrooms from reconfiguration," says Leko, rather than extending.

What's more, Leko adds, the assumption that extensions will cost simply a fixed fee per square metre is a "gross error". The reality is that there are a lot of other costs such as council fees and also simply demolishing the existing side of the house and running or upgrading sewerage and plumbing to second bathrooms.

Even garage conversions can be a whole lot more expensive than investors anticipate, assuming they want to do it right and within council regulations. "There can be significant compliance hurdles," says Leko. "We have to waterproof the concrete slab and garages are often not insulated. Sometimes they don't even have building paper," says Leko.

The moral to the tale is to price up your proposed renovations before buying. Renovation companies are often willing to give their opinion on the feasibility of the work before purchase.

Money is best spent on painting the key living areas says Warman. But it's also worth buying a few litres of outdoor paint for the letterbox, fences, and the front door and stain for the deck.

BETTER BATHROOMS

Hoy Fong's tenants are often young professionals and don't want the typical "Formica and dirty dunny" bathroom in

their rental. As well as adding bedrooms he often strips the bathrooms back to the walls and starts from scratch with a new shower box, bathroom fittings and tiles. On the larger properties he may also turn the old laundry into an ensuite if possible and put the washer/drier in the bathroom or kitchen. A second bathroom can add \$50 to \$100 a week to the rent in a three or four-bedroom home, says Hoy Fong. ■