



# CLEVER ROOMS

Add value to your rental property or your own home with **Sharon Newey's** guide to renovation. This month we look at rooms – leave them or change them?

**EVERYONE WANTS TO** take something and make it better so you can rent it for more. Renovating is a great way to boost the value of your property, but when that property is a rental, you have to go in with your eyes wide open.

The first thing to do is think about why you're renovating and the scale of renovations. Here's a checklist to fill in:

## Checklist

- Is the property scruffy?
- Is it attracting the wrong sort of tenant?
- Is it just tired and overdue for a spruce-up?
- Are the spaces badly organised?
- Is there potential to create an extra room?
- Are you hoping to increase the rent by a healthy margin once renovations are complete?
- What is your budget – and the expected increase in value?

If you've ticked the first three boxes, you might get by with a quick paint job.

If you've ticked the next three, you're looking at a substantial renovation project.

And it all hinges on the last box. Start with a good look at the basic structure of the house first. Does the floor plan suit your needs? Do walls need to be moved, taken away altogether or added? Do you need to extend?

Even if you think all that's needed is an updated kitchen or bathroom, there may be other opportunities to explore – could you incorporate the laundry into the kitchen, for example, and use the old laundry as a second bathroom, toilet or even a bedroom or study? Or could you tuck the laundry into an under-stair space, or in a cupboard?

Remember that structural changes may also allow you to take advantage of current schemes such as EECA's Warm-up New Zealand programme, which subsidises insulation by up to a third. See [www.energywise.govt.nz](http://www.energywise.govt.nz).

It might be worth building an addition, but consider carefully if it is worth it. Current average rates for any new building stand at about \$1600 a square metre, or a little less if it's just a bedroom without more costly items such as plumbing.

Any new building or structural renovations will need to follow current building regulations as covered by the Building Act 2004.



The roller door in this kitchen renovation hides a washer and dryer. The old laundry can be used to create a third or fourth bedroom.



**COULD YOU INCORPORATE THE LAUNDRY INTO THE KITCHEN AND USE THE OLD LAUNDRY AS A SECOND BATHROOM, TOILET OR EVEN A BEDROOM OR STUDY?**



Above: Few people use a laundry tub. Can the laundry fit into a cupboard? Or could the washer move to the kitchen to create a second toilet?

### **YOUR TARGET**

Knowing your tenant or potential tenant is essential. Know the sorts of features that appeal to the type of tenant likely to be attracted to your property. Are they young professionals, families with littlies or teenagers, older people, singles, immigrants or students?

If you have just bought the rental property and don't know the profile of existing renters in the area, talk to local rental agents. Obviously if you use the services of a letting agency, go there first and pick their brains on what potential tenants are asking for.

Perhaps you've owned the property for a while, but have found unreliable tenants are attracted to it. Now you may want to attract a different type of tenant. Whatever the case, make sure you know who you are trying to attract and please.

It's no use spending money creating a superb outdoor area when you're renting to a bunch of students who are mainly out, sleeping or studying in their rooms. You're more likely to increase your returns to this group by adding another bedroom or a second toilet.

In most areas, an extra bedroom means





Adding sliding doors can turn one room into two, creating a study, second living space or a bedroom.

extra rent. Your house may be easily modified within its existing footprint to get this. Look at these options:

Can part of a large living room or large bedroom be partitioned off to provide an extra bedroom?

Can part or all of an internal garage be converted to bedrooms?

Perhaps a sun porch or a little-used dining room could be a bedroom? It may just be a case of 'redefining' the use of room by adding wardrobes.

Again, know your market. For families, bedroom numbers can top out at four, so any more than that won't get you the pro-rata in extra rent. For groups of young

people, however, a fifth bedroom can give you a healthy rent increase.

For families, good access to child-friendly outdoor spaces, open-plan living and an en suite bathroom are likely to be attractive.

To add value, it may be as simple as securely fencing the property or widening a deck. If the family has teenage kids, a second living space, no matter how small or isolated, is a bonus.

A well-designed en suite doesn't demand much floor space. You can often create one by simply rejigging rooms, or partitioning off part of an existing room.

And don't just blindly follow the current

**GOOD INDOOR/OUTDOOR FLOW HAS BECOME A MANTRA OF RESIDENTIAL PROPERTY QUALITY, WHETHER IT'S RENTED OR NOT.**



Covered outdoor spaces can extend the perceived size of a small living space and will add resale value.



theories on what people are looking for in a property. Not everyone uses a deck, not everyone appreciates an integrated open-plan living, and adding garaging may get you a happier tenant but is unlikely to enable you to increase the rent.

Good indoor/outdoor flow has become a mantra of residential property quality, whether it's rented or not. It's debatable how many tenants of inner-city high-rise apartments actually use those pocket

handkerchief balconies, but it's something Kiwis do seem hooked on.

If good outdoor flow is something your market will respond to, consider replacing an existing window with French doors or sliding doors to more easily access an outdoor space. Maybe you can widen a deck to take an outdoor furniture setting.

Would that muddy lawn or overgrown garden be better converted to a paved area? If you do want to consider this, you'll need to check permeable area coverage with the council; generally decks less than 1m from the ground are considered permeable, as are loose materials like lime chip, but paving is impermeable.

## CONSENT AND COUNCILS

If you're planning structural changes to your property, it's highly likely that you'll need consents from your local council. Under the Building Act 2004, alterations and renovations that require consent include:

- any structural building including new buildings, additions, alterations, accessory buildings (sheds), and re-piling. Regulations were relaxed last year, however, so that a single ground-level carport, for example, now doesn't need consent;
- plumbing and drainage;
- demolition or relocation of existing structures; heating (fireplaces);
- ventilation and air-conditioning systems;
- siteworks for a building;
- retaining walls higher than 1.5 metres, or retaining walls with a building

- or driveway near the top of it;
- fences higher than 2.5 metres and any swimming pool fence;
- swimming pools (an unlikely scenario, however, for rental properties);
- decks more than 1.5 metres from ground level.

If you're uncertain, simply call the council. If you are using an architect, designer or draughtsperson, they may know what's required.

Most councils offer a pre-application meeting as an opportunity to discuss your proposal with their staff before you lodge any applications.

Of course, any consent process will involve submitting plans, and having either an architect, architectural designer or draughtsperson draw those up.

## YOUR DOLLARS

Sigh. Of course, you need to recoup the cost of any renovation through increased rent, so this is where you need to get real. You also need to know the period of time over which you would like to recoup that money.

For example, if you spend \$20,000 on creating a new bedroom and adding a separate toilet, will you get the extra \$130 a week over a three-year term to pay it off? And that's not even considering holding costs on that money.

Yes, there are other factors of course – a better looking and more functional property will rent more quickly and to a more caring tenant. A tidy property will attract a tidy tenant, just as a scruffy property will attract scruffy tenants.

Any quality improvements will, of

course, increase the capital value of the property, but for the here and now, you need the rent, not the more vague prospect of capital gain when you eventually sell. Obviously, if the property is in a good area with a history of steady capital growth, you can be more relaxed about the return on any renovation investment.

The key to a good budget is knowing exactly what things cost. Don't just guess, especially with structural renovations, where there can be so many trades involved and where unexpected problems may be uncovered once you start removing the plasterboard.

Get quotes for design, materials and trades, and find out what the council fees are, before you begin. If it's a very large project, consider asking a quantity surveyor to cost the project. Your architect or designer should also be able to help with cost estimates.

If it then doesn't match up to your original formula, be prepared to shelve the project once you have found out the costs. It's better to spend a bit of money for the

right information, than forge ahead with a costly project only to find yourself out of pocket for several years.

And then be prepared for budget overruns. Anecdotal evidence suggests that most renovations overrun by around 10 to 20%. Make sure you have a financial buffer for that possibility.

## **YOUR PLAN**

And it's not just the money. The timeline of any renovation needs to be tightly controlled so that the property isn't out of action for too long and can go smartly back on the rental market. The experts suggest it might be worth paying a small premium for reliable tradespeople who will turn up on time and work quickly.

If you've planned well in advance, you may be able to take advantage of sales for items such as bathroom fittings or kitchen appliances, and have them on hand ready to be used.

It's crucial to plan structural renovations carefully. They can be hugely disruptive and messy, so any project involving structural

changes needs to be run efficiently.

If you're a fulltime landlord you may have the time to get quotes, liaise with council and designers, monitor tradespeople and source materials.

However, if like most of us, you also have a day job, it's unlikely you will have the time to manage larger structural changes yourself, so depending on the extent of the work, consider paying your architect or builder a management fee for overseeing the project.

Are you a DIY-er? The same applies to actually doing any of the work yourself. Be warned there are regulations that prevent uncertified tradespeople from doing certain work, but there is a risk you'll compromise the quality and durability of any project you tackle yourself.

If you're a qualified builder, plumber, sparkie, or landscaper – go for it. Otherwise, use the right person for the job.

If you are busy and inexperienced, but still keen to manage the project yourself, increase the budget to allow for overspends, time over-runs – and possibly stress leave! ■