



# PROS TALK RENOS

Whether your plan is to buy and hold or to sell, a well managed renovation will almost certainly improve your property's value and increase rents. There are many ways of renovating, none of which need to break the bank. Experts Sharon Trafford, Ron Hoy Fong and Roger Clist shared tips with APIA members at a recent meeting and **Carolyn Brooke** was there

## THE BIGGEST RENOVATION pitfalls?

According to Sharon Trafford, director of Renovate to Profit they are: Not having a budget, being out of your depth, thinking things cost less than they do, not doing research and not valuing your own time.

"People diving into things they don't know about anything about. I recently had an investor looking at a leaking home and I told him to leave it alone, don't touch it as your first project." She says investors must do their research; guessing costs and time frames doesn't work.

"You should know how much your property is worth, how much you want to buy it for, how much you want to spend on it, how much you want to make out of it if you are going to sell. If you're going to hold then how much rent are you going to get?" It never fails to surprise Trafford how often people don't even have a budget. Be realistic about costs, she says. While fixtures and fittings can seem relatively cheap, don't get caught out by high service costs.

"Some people have no idea what they're doing, they think that \$5,000 is going to get them a lot of work but it's not."

Another common trip-up is underestimating time frames. She says people who value time know that it is often cheaper to pay contractors rather than slogging it out themselves. The quicker a place is finished, the quicker it can be tenanted. Making decisions early

on and sticking to them will also save time and money.

"Your renovations can turn into a nightmare as soon as you start changing things, you have to be very clear from the start," she says. "If you start changing things then your contractors don't know what you're doing, there aren't clear decisions and basically your budget gets blown out." Trafford says a project managed cosmetic renovation can be done in about two weeks with up to another 10 days for a kitchen.



## SHARON'S ESSENTIALS - INSIDE AND OUT

A good paint job inside will give you immediate results.

Neutral colours are

best and she also recommends whites or the Resene Top 10 range. Tenants need to see themselves living there so avoid extreme colours. Keep an eye out for discounts on ready-made curtains, but don't bother with nets, Trafford says, as tenants will put them up if required. While carpet usually needs to be replaced, underlay may not have to be. Instead use existing carpet or underlay if in good condition, she says.

Changing kitchen bench-tops, painting cupboards, replacing door handles and adding a splashback are easy improvements, Trafford says. "It's a lot

cheaper than having to replace a kitchen and it looks really good, especially if you get the right colours." A reconditioned oven instead of a new one will save money too.

Create a modern and clean look in the bathroom by using white paint and big mirrors, she says. Vinyl and HardiGlaze are easier to maintain and replace than tiles, which generally should be avoided unless doing a high-end rental. New shower lining or vanities are other simple improvements.

Avoid anything flashy or expensive for a rental but keep in mind that poor quality supplies and bad workmanship can cost more in the long run. "Cheap is not necessarily the best," she says. "If you spend the money then you probably won't have to touch that property for another 10 years." Be selective about who you choose to do work.

Easy jobs to do outside are tidying gardens, cleaning gutters and an exterior wash. "A lot of people might think you need to paint outside when sometimes you just need to give it a good wash to get rid of the dirt - save yourself \$9,000 to \$10,000." Painting the fence and a new letterbox will also give a fresh look and a good first impression.

A renovation on a two-bedroom unit in Papatoetoe included new carpet, curtains, kitchen, bathroom and laundry along with an interior repaint throughout and exterior clean. It now rents for \$340 per week with work taking a fortnight and costing about \$18,000 including GST and project

## SOME PEOPLE THINK THAT \$5,000 IS GOING TO GET THEM A LOT OF WORK - BUT IT'S NOT

management. "It looked beautiful - they had tenants move in the next day."

Trafford says you must keep on top of your project constantly - visit the property every day and understand what your contractors are doing. She also recommends a good network including real estate agents, building inspectors and lawyers.

### ALL ABOUT STRATEGIES

Buying run-down properties and renovating them is what Ron Hoy Fong loves best. The more run-down, the better, he says. Hoy Fong re-entered the property game in 2003 after selling his Asian grocery chain, the Tofu Shops.

"Starting from scratch, I mortgaged my house to the hilt, pulled out \$180,000 and used that as deposit money." He brought 21 properties in a year.

Hoy Fong runs property coaching and renovation business Ronovationz and knows how to drive a hard bargain. But most of his wealth is down to creating equity through renovations and using this equity to buy his next property. Along with a budget, he sticks to a few strategies which he says don't let him down. He only buys properties in Auckland between St Lukes and Mt Wellington as he finds tenants are generally reliable in this area. A recent property cost him \$225,000 (with a CV of \$245,000) and was re-valued at \$280,000 after a basic paint job.

"If you sell then all you're doing is making a quick buck, you'll make 10% or 20% but after taxes it's not that much, whereas if you buy and hold you'll find that property will give you 10% for the rest of your life."

He spends \$100 per square metre, plus \$1,000 for a kitchen and \$1,000 for a bathroom. A 60m<sup>2</sup> unit would cost him \$8,000 to renovate. It is all you need to spend, he says. "You don't have to do a heck of a lot in kitchens, just paint them. I very rarely change cupboards, just give them a coat of paint, a new bench-top and new handles. It's not expensive." He'll replace the stove if needed and install a rangehood. He also recommends the Resene Top 10 range and says you can't go wrong with Sisal and one-quarter Spanish White.

"You stick to those two colours, they're like yin and yang - they balance together." If mixing colours, he says a two-third to one-third mix works well, better than a half-and-half mix.

Another trick is White Knight Tile Paint and a grid-lock primer. He says it does wonders in bathrooms.

"You get bathrooms with panels that are very smooth, so you can put it on as undercoat and anything will stick to it. Use the tile paint on top; it comes out very thick and very smooth." He says a new panel would cost about \$400 while this costs about \$40.

### ADDING VALUE

"One of my latest strategies is adding value, buying a two-bedroom unit that has a dining room, putting a wall across to one side with a door in it and you've got three bedrooms, increasing rent \$100 a week." So a one-off cost of \$3,000 to \$4,000 can bring in an extra \$5,200 per annum. "When you start looking at apartments in the city you realise how big units in other areas are." A large bedroom or lounge could also be split but be careful to not alter any load bearing walls.

### OUTSIDE WORK

Tidy up and pave areas outside to create usable space. He says for about \$800 you can create a backyard using concrete blocks and pot plants. He did this at one of his places, hiring an unemployed person living in a neighbouring unit to do the work. Concreting driveways adds substantial value but are expensive and best done if and where neighbouring properties share the cost.



### TIMING RENOVATIONS

When it came to buying rental properties, Roger Clist stuck to what he knew best - well-constructed 1970s

houses or units in West Auckland. Living in the area his whole life, he bought his first investment property at age 50 and built his portfolio up to 14 before retiring at 64. Doing the property management and maintenance himself, his focus was on paying down the mortgages.

"It's been a hard slog but it's a huge change to me in retirement, our tenants have paid our mortgages off over those 15

years." Adding value for tenants through minor renovations is what he likes to do - a shed or covered patio for a tradesperson. His book Working Landlord, Happy Tenants was followed up by Mr Landlord, Mr Fix It and is based on his experiences; "I had so much to say on maintenance."

With all his properties now debt-free, he is now in a position to start renovations. He recently did a complete refurbishment of a house in Ranui with new kitchen, bathroom, drapes and light fittings along with complete paint inside and out. A two-bedroom unit on the same property was also improved with a handrail and covering decks.

"Once a tenant sees some improvements then it's a good time to increase rent." ■

## RENOVATIONS TIPS FROM THE EXPERTS

- Know your budget and stick to it
- Know before and after sale and rent values for your property
- Be realistic about costs and time involved
- Know your involvement i.e. what you will do and what you will contract out
- Cheap is not necessarily the best. Bad workmanship or supplies can cost more in the long run
- Advertise for tenants before work is finished
- Best kitchen renovation is repaint of walls, replace bench tops, paint cupboards (not replace), new door handles and adding a splashback and extractor fan
- Don't change your mind as it costs money and causes confusion. Be clear from the start with about what you want
- Look to add value for tenants i.e. sheds or covered in patios
- Doing improvements is a good time to increase rent
- Use neutral colours, whites or Resene Top 10 range for painting
- Best bathroom renovation is new shower lining and vanity. Paint walls white and put up big mirrors
- Renew rent in peak property market from February to April when demand is high
- Ensure rent returns at least about 7% of purchase cost
- Stage a property for resale
- Don't expect tenants to put up with bad living conditions