

# Journal

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# Buy, renovate, sell



BY CHRIS GRAY

It's easier to buy and sell properties that are in great condition. If managed correctly, renovating can reap great rewards for investors. Demand for properties that need work can be lower as not everyone has the time or can afford the extra cash. That can drive down the price and increase the profit potential for buyers who are happy to manage a renovation.

However, risks are involved. Just as with property purchases, renovations require careful planning and execution. Here's how.

## **Choose properties that need mainly cosmetic work**

Avoid properties with structural damage, as this is often when expensive problems occur. Leave that part to the experts.

## **Find a valuer**

One of the biggest misconceptions investors have is that the more capital they spend on a property, the more profit they will make. This isn't always the case. A valuer can tell you if your \$50,000 kitchen renovation will actually add \$50,000 to your home's value.

## **Use a project manager**

There are too many risks involved in managing a project alone. Some tradespeople capitalise on investors' lack of experience in terms of cost, timelines and attention to detail.

By handling the renovation yourself, you may save money initially, but hiccups along the way may turn your \$40,000 renovation into a \$60,000 to \$80,000 job – and it would likely be over two months rather than four weeks. A good project manager will have experience in completing renovations on time and within budget.

## **Be realistic when doing it yourself**

If you're a novice, there's a good chance you'll under-budget the true costs. My tip is to double your expected cost and then work out if you're still going to make a profit. Unavoidable costs often arise from

unexpected structural flaws in the property.

## **What happens when it works well**

If you've done your research, if your investment property is purchased well, if the renovations are done correctly and with the right advice, tens of thousands of dollars in equity can be made in the first year alone.

## **Hold on, or sell?**

With such high transaction costs in property, even if you do make a small fortune by renovating, you may lose the majority of it in selling costs, stamp duty, capital gains and buying into the next project. Work the numbers because often by refinancing you can hold onto your profits and buy another deal. Is it worth making \$100,000 to end up with \$25,000 in your pocket?

*Chris Gray is the Property Expert on Channel 9's MyHome TV, and author of Go For Your Life: How to Turn Your Weekdays into Weekends Through Property Investing. For more information and for Chapters 1-3 of his book for free, visit [www.goforyourlife.com](http://www.goforyourlife.com) ♦*