

# **ULTIMATE** REAL ESTATE SUCCESS **LIVE & VIRTUAL** **BOOTCAMP**

WORKBOOK - BRISBANE MARCH 2021





**SESSION TEN**

# **How To Renovate For Profit**

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### Rule of Thumb – Short Cuts

Purchase Costs	6%
Selling Costs	3%
Cosmetic Reno	9%
Code Assessable	16%
Structural Reno	31%




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### Rule of Thumb – SALE Short Cuts

Renovation Type	Minimum Sale Price
Cosmetic Renovation	x 1.35 of Purchase Price
Code Assessable	x 1.5 of Purchase Price
Structural Renovation	x 1.8 of Purchase Price




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### Rule of Thumb – SALE Short Cuts

Sale Price % of PP	Buy Price	Purchase Cost	Reno % of PP	Total	Holding Costs
Cosmetic <b>135%</b>	100%	6%	9%	115%	?
Code Assessable <b>150%</b>	100%	6%	16%	124%	?
Structural <b>180%</b>	100%	6%	31%	137%	?




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## Unit Cosmetic Reno (6 week Deal!!)

- Purchased \$330,000
- Reno \$15,000
- Sold \$442,500
- **\$88,500 Profit in 6wks!!**
- **PLUS \$11,979k profit from Air bnb while on market**



Before

After




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## Cosmetic Renovation

### HARDWOOD COTTAGE

- 2 Bed, 1 Bath, 1 Car
- For Sale: \$239,900
- Purchased: \$219,000
- Reno cost \$30,000
- ReSold: \$300,000
- Profit: \$35,000



$$\$219,000 \times 1.35 = \$295,000$$




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Before Renovation

After Renovation




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## Are you renovating to Hold or Sell?



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### If Holding..

#### Ideal objective:

- Increased value at end of renovation
- Get your money back, what property cost you (deposit + renovation)
- Rent for positive cash flow

This is the benchmark  
- If more, that's a bonus!



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### If Holding..

- Renovation increases value = Equity
- Will renovation increase the rent?
- What is the local rental market like?
- Reduce capital gains tax (investment property)



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## Hold Property Example



Dual living property – 6 brm, 2 kitchen, 2 bath  
**3 month renovation**



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## Hold Property Example

Purchase Price	\$230,000 (Valued \$245k)
Stamp Duty	\$6,560
Legals	\$2,000
Renovation	\$15,000
Total Costs	\$253,560

**Income Per Year (\$590 p/w) \$30,680**  
**Yearly Return 12.1%**

**\*Updated rental income (\$625 p/w) \$32,500**



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Property re-valued  
= increased by \$105,000  
 Rental value increase  
= \$120 p/w  
 Positive cash flow  
\$12,500  
 All his money back  
plus more!



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## Development Applications & Building Approvals



ALWAYS,  
ALWAYS,  
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ALWAYS,  
ALWAYS,  
GET APPROVALS



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## Legalities

- There are different rules for every State for Development. What can you do without a licensed Supervisor?
- Is there a minimum amount before you need a Contract?
- NSW requires any work over \$5,000-\$20,000 be contracted (small jobs contract)
- Vic more than \$5,000-\$16,000
- WA over \$7,500-\$20,000



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## Home Warranty Insurance

- Home Building Compensation Fund is required in most states. Again there is a minimum cost of works where this is applicable.
- NSW and WA for contract value over \$20k
- Qld Home Warranty Scheme paid by contractor for work over \$3,300
- Victoria needs it for any contract workover the value of \$16k. Under \$16k needs a defect report.
- SA over \$12,000



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## Things to watch out for...

### Types of Asbestos

#### NON-FRIABLE

97% of Australian products which are bonded with cement

#### FRIABLE

3% of products which are usually spray on insulation or similar that crumbles easily when touched.



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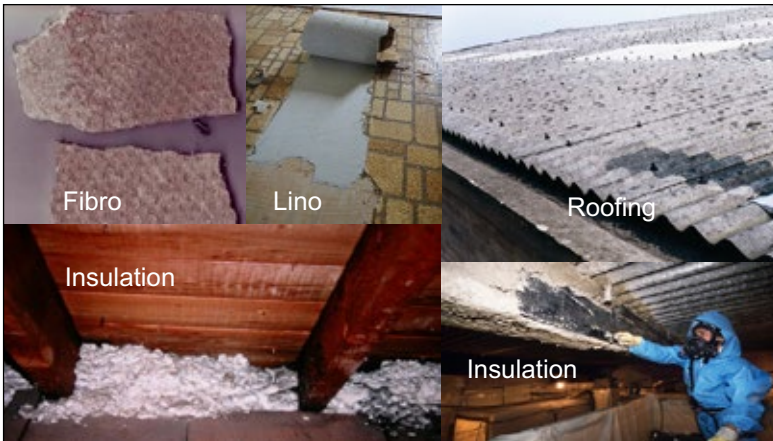
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## Things to watch out for...

### Rising Damp and Waterproof-ing

Some of the visual signs



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## Things to watch out for...

- Older wiring may mean rewiring to the whole house and also a switch board upgrade
- Older wiring that you do not want is run in:
  1. lead sheathing or
  2. Steel conduit with fabric insulation




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## Building Inspections

- Look for areas that have joint movement and cracks
- Do windows slide and open easily?
- Are the downpipes connected to pipework going to the street curb?
- Is there galvanised water pipes?




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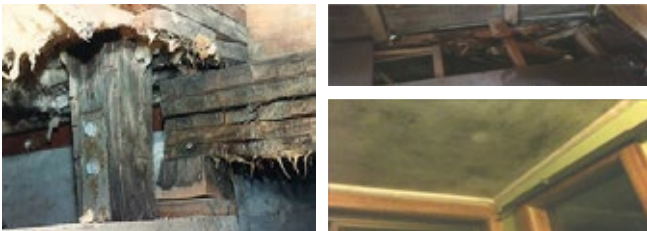
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## Building Inspections

- Check for bounce in floor
- Check for mould on ceiling. Roof leak or Ventilation
- and dry rot.




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## Pest Inspections

- Look for areas that allow pest entry
- Open areas in fascias and soffits that allow vermin, birds and marsupials to get in and nest.
- Any concrete or timber that touches soil can be an easy ingress for termites.
- Cracks and joins in concrete are also an area for termites especially with moisture.
- Pest Inspection - have an out clause




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## Termites

- Termites are good when you are purchasing property!
- If you encounter termites when renovating there are two things you can do:
  1. Leave them alone and bait them
  2. Continue renovating but this comes with risk! You need to find the NEST!




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## Dial Before You Dig

- Save yourself the hassle
- Easy to use and remember




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### 3 Types of Finishes

- **Basic** – Intended mainly for practical and price efficient renovating for mining towns.
- These usually include shower cubicles, cheap basins and baths made of fibre glass and standard laminate cupboards.



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### 3 Types of Finishes

- **Standard** – Used in low end to middle renovations and rental tenancies
- Usually includes standard ceramic tiles, ceramic basins, steel baths, downlights, roll top laminate benchtops and inbuilt wardrobes.



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### 3 Types of Finishes

- **Luxury** – High end finishes that are required for luxury homes and executive rental properties.
- These finishes include stone tops, solid doors, walk in robes, glass splash backs, stone tiles and high gloss timber floors.



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## The Team

- Be comfortable with your tradies and treat them as you expect to be treated
- Tell them you are looking to learn not to check their work
- Buy them or cook them lunch
- Once you have found your team KEEP THEM!



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## The Builder

- Builders can run the entire Project for you.
  - They are usually a tradesperson that upgraded their qualification.
1. Carpenter
  2. Concreter or
  3. Bricklayer
- They can project manage all your trades or work in with you depending on project size.
  - They can also give feedback on building inspections.



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## The Chippy

Generally the builder is a carpenter.  
A carpenter can:

- Build timber frames
- Kitchens
- Built in Robes
- Install handles and fixtures
- Minor wall sheeting
- Doors, windows, etc
- And many other tasks



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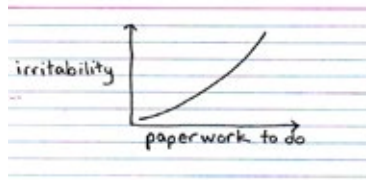
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## The Plumber

- The Plumber is a good source of information for design in the “wet areas” of the house.
- They usually can do the Plumbing applications necessary.
- Sometimes they are not good at paperwork.
- They deal with water, gas, sewer, roofing, storm water and sustainability.




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## Plumbing

- Do not change layout if possible- especially in units
- You can use existing pipe work and still look stylish




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## The Sparkie

- Your Electricians are the best source of knowledge for older wiring
- They can help with upgrades or connection applications and costs
- They are up to date with the current innovations in the industry including solar.




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## The Landscaper

Landscapers can do many varied jobs including

- Retaining Walls (Brick and timber)
- Paving and compacted pathways
- Garden Beds
- Turf
- Sub Soil drainage
- Minor timber works




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## The Interior Designer

- Interior Designers can provide great insight, suggestions and on-trend ideas
- If you are not particularly “stylish”, they are great value – not very expensive
- Answer the most asked question - “What Colour?”
- Can provide assistance with staging




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## Renovation ideas

- There are lots of ways you can make a difference to a property through renovation
- Not all changes will make you money
- Focus on the items that will make a difference to the selling price
- Don't do things that don't need to be done
- Don't get emotionally attached




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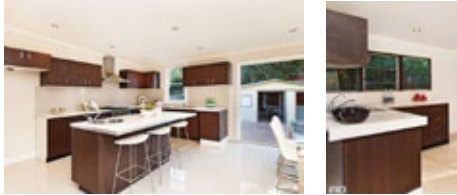
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## Kitchens

- Kitchens should be practical with lots of bench space
- Include an Island bench with breakfast bar if possible
- Second hand kitchens can save you lots of money



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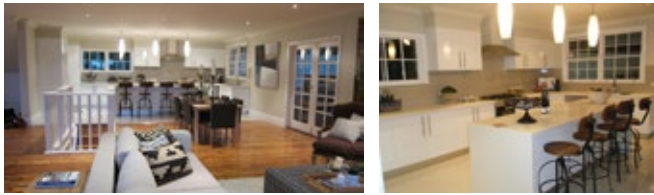
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## Kitchens

- Flat Pack from Chinese importer.
- Stainless steel appliances
- Caesar stone tops



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## Lighting

- Downlights
- Hanging pendants
- Batten holders
- Outdoor sensor lights



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## Internal electrical

- Change switches and power points- They are cheap and make a big difference.
- In high end renos pay the extra to have chrome or glass finishes




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## Renovation ideas

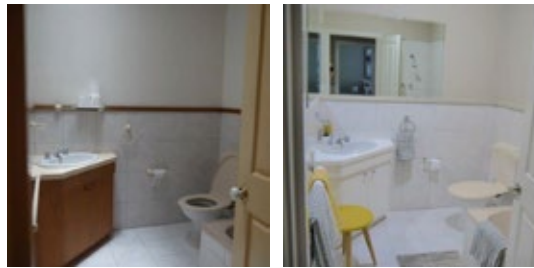
- Small things can make a big difference...

Before

After

Paint  
Mirrors  
Cabinet handles  
Fittings  
and Styling!

Less than \$400




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## Landscaping - Retaining Walls

- Sleepers are cheap. Create flat areas that give extra parking or lawn.
- On some sites the backyard is best done first




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## Landscaping - Turf

- Keep it simple
- Grass is cheap and makes a big difference



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## Landscaping - Yard

- Yard should be inviting and low maintenance
- Use square edging and garden beds
- Mulch gardens
- Include a deck if you have the space



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## Decking

- Wider boards give the illusion of a bigger more expensive deck
- Oil decks with decking oil to provide a great finish



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## Bi-folds

- Bifolds bring the outdoors in
- Great way to make a space feel bigger and provide a resort-like feel




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## Sustainability

- With increasing energy bills Sustainability can be a selling point
- Consider installing a rainwater tank, insulation, electrical or hot water solar panels




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## External finishes

- If budget allows render brickwork or Blue Board and render External walls
- To save money render the front only and paint bricks on sides and rear




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## Roof finishes

- Darker roofs blend into the background
- If budget allows put a new roof on or have it cleaned and painted.



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## Ask agent for Local Knowledge

Copy someone else's Success



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## Photography and the MONEY Shot



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## Student Reno/ Subdivision



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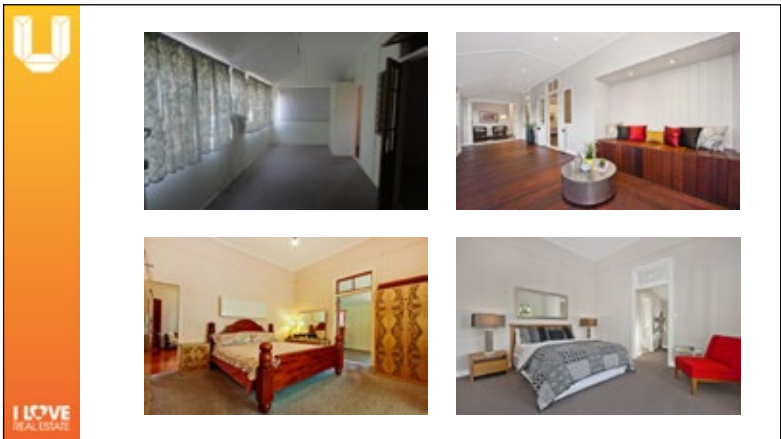
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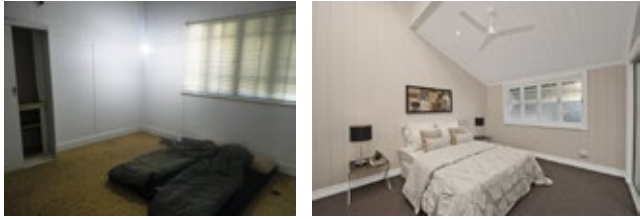
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4 Month Renovation in spare time while approval for Subdivision at rear with 3 townhouses in Brisbane!  
**As Joint Venture Partners**




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**Outdoor Room**      Converting an old shed to a cabana





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## Student PPR Deal




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## PPR Brisbane

Feasibility	
Purchase	\$ 299,000
Purchase Costs	\$ 15,000
Renovation	\$ 40,000
TOTAL COSTS	\$354,000
SELL	\$400,000
PROFIT Tax Free	\$46,000
TIME	6 months




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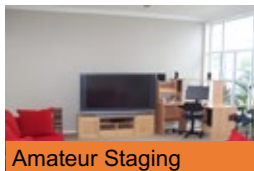
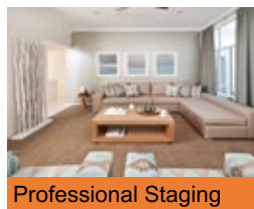
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## Property Styling

- Check your street appeal
- Landscaping
- Professional staging
- Professional photography
- Emphasize the homes selling points




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## Property Styling

Property Styling encourages:

- Quicker sales
- More offers and more bidders
- Higher sale price (5-10%)

**SOLD**



Professional Staging



Amateur Staging



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## Hide neighbours, cars & bins



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## Dusk shots - lights on, blinds open



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