

To renovate or

## not to renovate?

**People renovate for lifestyle reasons or to try and make profit. If you intend to stay in your property for a long time and wish to adjust your home for your needs then that is money well spent. However, if you are considering renovating for profit - tread carefully.**

Some suburbs have a ceiling price. Potential buyers, no matter how attractive the property, may not go over that ceiling price. In these areas, if you spend \$50,000 to \$60,000 on a renovation for example, you may only increase the value of the property by \$20,000 or \$30,000. You don't want to spend money renovating the property and then find that you've lost money.

Of course, there are exceptions to the rule. When you can add unique and desirable features to your property, in the right area, you can profit from renovation. For example, if you have a two-bedroom one-bathroom unit in a suburb where there are many other similar properties,



and you reconfigure the unit to fit a second bathroom - you change the property and give it a point of difference. For \$15,000 you have transformed your two-bedroom one-bathroom unit into a distinctive two-bedroom two-bathroom unit putting it in a higher price point.

If a two-bedroom two-bathroom unit is actually very rare in your area, your property could be highly sought after, and as a result you could increase the property's value by up to \$100,000. Meanwhile vendors who spend \$20,000 or \$30,000 on a renovation on a two bedder in the same building and keep the existing configuration and just change



the finishes will, typically only break even and sometimes even lose money.

The point is that your money is precious and sometimes you don't need to spend a lot on your property to get the best price. You have to know the market and know what potential buyers are prepared to pay for.

If you are considering selling your property, talk to a market expert and work out what the achievable end price is for your home in your area. You don't want to overcapitalise by spending money you won't make back. Do a needs analysis and make sure you don't overcapitalise.

