ticker HOME

Top 5 Tips

Avoid Over-Capitalising

1. Research the SOLD prices, not the FOR SALE prices

Go to realestate.com.au or domain.com.au 'sold' section. The 'sold' section is where reality occurs, as opposed to the 'for-sale' section which is where the optimists are trying to sell their property at a higher price. Once you're in the sold section, you need to search for the suburb that you're looking at and wanting to do the project, and find out the prices. As an example, if you've got a three bedroom, two bathroom house, look for what the price points are, for similar properties. Then start making some notes about whether they're better than yours or not, and what those points are - for example, does it have a better, bigger, kitchen or has it got more parking? This is how you'll get an understanding of what your property is really worth today.

Keep in mind that if you are going to do something like a renovation, you're going to want to make a minimum of 20 - 25% uplift in your manual / manufactured growth strategy.

2. Investigate the area – and ask the locals

You must ensure that if you are going to manufacture growth, that you don't buy a property sight-unseen. You want to make sure that you investigate, do your research and get to know your marketplace.

Go and visit the area to get a gut feel of the town, ask questions at the police station, the service station, post office, and get to know the whole area, especially if it's a new area to you.

Go to the council website and determine any infrastructure that is being planned for the area. For example you can look for new roads, hospitals, and shopping centres.
This research will give you a good idea as to what type of growth the area is experiencing.

You can also do a search on google maps to see what services and facilities are located close by to the property.

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3. Crunch the numbers and plan your budget

If you're going to renovate, for example, to turn the property from a three bedroom, two bathroom house into a four bedroom, four bathroom house, then change the search parameters on the 'sold' section to see what those type of properties are selling for. As an example, if a three bedroom, two bathroom house is selling for around $400,000 and a four bedroom, three bathroom house is selling for $550,000, you can spend up to $150,000 and break even, but if you can't renovate within that amount and have to spend more, then perhaps that's not a project you should be looking at.

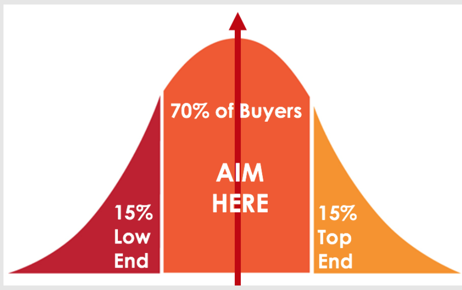
Remember, it's not about breaking even, it's about actually making a profit.

Make sure you do your budgets and run a reverse feasibility. Leave less things to chance and more things to choice. Be in control of every aspect that you can control.

4. Be realistic about how much growth is possible

The mistake that many people make is that after they decide they want to go into a project and manufacture growth, they find a development approved D.A site. In 95% of cases, a D.A approved site is being sold because someone's already got the approval, but they didn't do the numbers, and they end up finding out that the project costs is more than the project value.

With Renovations for example, some simple ways to be able to work out how much money to spend to manufacture growth is again, by doing a simple reverse feasibility.



5. Renovate for the market, not for yourself

It's important not to get too emotional when you're working to manufacture growth. People often make the mistake of thinking about the place they would like to live in, rather than what the market is asking for.

You have to manufacture growth to the optimal part that the market wants, and hit the middle part of the bell curve. At one end of the bell curve are properties that people aren't interested in looking at or buying. At the top end of the bell curve are people who are looking at purchasing high-end style homes.

Both ends of the market together, probably only make up 30%. You want to be able to push your properties to the middle of the top of the market. This is where you have the majority of buyers and the majority of renters, giving you opportunity for a better outcome on your property.

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