

RENOVATE FOR REALITY, NOT REALITY TV: EXPERT WARNS RENOVATORS RISK OVERCAPITALISING IF THEY FOLLOW THE REALITY TV LEAD

Wacky wallpaper. Feature walls. Wacky wallpaper on feature walls. While necessary to dazzle celebrity judges and keep viewers tuning in, an expert warns that for average mum and dad property owners, renovating to include these creative flourishes is more likely to decrease the asking price of a typical property.

“While the glut of reality programs has seen a steady increase in renovating generally, deferring to trending styles that are at best ‘quirky’ and at worst just plain ugly is likely to not only inflate the cost of the renovation, but also significantly limit buyer interest in the property,” housing affordability commentator Ian Ugarte said.

“Property owners expect their investments to appreciate over time, and the best chance they have of making this happen is to ensure any planned makeovers are done to a realistic budget in terms of projected return, and use styles and finishes that are likely to appeal to the majority of buyers.

“The last thing you want to do is limit or restrict your buyer base by introducing features like curved walls and floating beds that might have personal appeal, but are likely to alienate a chunk of possible buyers and potentially blow out your renovation budget in the process,” the Small is the New Big co-founder said.

According to Ugarte, this is just one of five tips that budding renovators should observe to safeguard against overcapitalising when taking on any sort of renovation in the real world, rather than the reality TV world. Renovations undertaken to manufacture growth in the property should keep the following tips in mind:

- Study the sold prices in the area – which are factual (not the ‘for sale’ prices which are a wish)
- Research existing and planned infrastructure in the area
- Crunch the numbers, create a budget and stick to it
- Be realistic on how much growth is possible

To get a better handle on the value of a property in an area, Ugarte recommends researching the sold prices for similar properties instead of the listed prices in the ‘for sale’ section.

“For a more accurate understanding of a property’s value, budding renovators should study the sold prices of comparable properties via their preferred real estate site, since that’s where the ‘reality’ occurs.

“Not only that, it’s important to understand why the property is valued at that price by taking into account the key features that might have increased (or decreased) demand for the property - for example, did it have a spacious kitchen or provide off-street parking,” he said.

Ugarte believes this approach helps property owners better understand what their property is worth and how much they will need to spend on a renovation to generate the desired uplift in value once it’s done.

“Keep in mind that if you are planning on renovating, you’re going to want to make a minimum of 20 – 25 percent uplift on your manufactured growth strategy.

“In simple terms, that’s like having a property valued at \$500,000 and spending \$80,000 on a renovation in the expectation that it will be worth about \$645,000 once it’s completed,” he said.

Ugarte also recommends researching the local Council website to determine if any infrastructure – like roads, hospitals and supermarkets - is being planned for the area.

“It’s definitely worthwhile knowing what’s in the works, since that is a good reflection of the projected growth in the area.

“Once you’ve done this, you’re well positioned to carry out a reverse feasibility assessment to determine what you’ll need to spend, before embarking on any major renovation.

“Like any form of investment, a renovation should be about making a profit – not just breaking even, or worse, losing money – and by carrying out this requisite research you’re best placed to ensure you’re not left short-changed once it’s done,” he said.

For information on how the reality TV renos are not the best guide for most renos, contact Bec Derrington, 0408 062 354.

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