

MAKE FROM EXTRA SPACE



Making more of the space in your rental property adds \$\$\$\$ to the return. At the most basic level better use of the space can mean improving storage. At the other end of the scale it's about creating more rooms from the existing space, by moving walls, developing loft spaces or converting garages, sheds, dining rooms, second

living spaces and others into living areas.

Investors do all sorts of interesting things to squeeze greater returns from their space.

STORAGE

The Barfoot & Thompson annual tenant survey in October 2017 found that more than 50 per cent of tenants want more storage. Only additional car parking

spaces beats storage. There are many ways to make more storage, says Kiri Barfoot, director at Barfoot & Thompson.

Sometimes adding a simple shed can be enticing for tenants. Or loft ladders are relatively cheap to install and once you've put boards down quite a lot of storage space can be created.

Adding shelving and organisers to existing wardrobes also impresses tenants, who do look in wardrobes often



Got an unused space in your rental? **Diana Clement** looks at how much more income you can get if you convert it into usable space.

when viewing. Extra built in shelving in the kitchen, living areas, hallways and garage is a winner as well.

LAUNDRY

Laundries were once an essential in a Kiwi home. These days investors eye them for their extra bedroom, second bathroom, office or other potential. Harcourts Northshore agent Ilse Evans sees a lot of converted laundries or ones that should

be converted. They can be quite large spaces such as one at a property she is marketing at Santa Rosa Terrace, Forrest Hill that is screaming out to be converted into a second bathroom. (See picture). "The washing machine and drier can be incorporated into one of the bathrooms, the garage, or a large cupboard or under the kitchen bench." The advantage of turning the laundry into a second bathroom is that there is already plumbing there. on the location of the property a new bedroom could add up to \$200 a week rent. A second bathroom \$50 to \$100 and an office a lesser figure. Adding an additional bathroom boosts the capital value more than having a laundry.

LOFT

Lofts can be expensive to convert. If there is sufficient roof space to do it and the numbers add up then it can be a win/win. A loft conversion can add 80 to 100 m2 of space, says Chris Caiger, director of renovation franchise Refresh, and cost around \$200,000 to \$250,000. It's a great option on subdivided sections because a loft conversion doesn't change the height to boundary ratio, he says. Whilst

investors often like to take the DIY approach, it can be well worth using an architect who can visualise how to add the space, light and functionality. That might, says Ken Davis of Ken Davis Architects mean moving walls in the downstairs rooms, to get the staircase in. When there is insufficient head room upstairs the design could lower the ceiling below in rooms with high studs.

DINING ROOM

Whilst owner occupiers love to have both dining and lounge rooms, this isn't always necessary for a rental. One or the other can be converted into a bedroom to improve cash flow. Wellington investor and Pukeko Rental Managers owner/operator Phil Kelliher added \$150 a week to the rent in a property in Woburn Road, Northland (Wellington) by doing just that. The property in question was one of two 1960s four-bedroom units Kelliher owns on the same site. In the case of the downstairs unit Kelliher was able to add a fifth bedroom by converting the dining room to a bedroom.

The former dining room had a sliding door into the lounge, a door into the

Moving washing machines and dryers into the kitchen can free up a spare room.



RENOVATION STRATEGY: CONVERT EXTRA SPACE

Building work to convert a garage into a warm dry space should cost between \$5,000 and \$10,000 says Mark Trafford.



kitchen and an outside door, which was at the time the main front door. Kelliher locked the outside door off and bought a new blind to cover it making the room cosier at a cost of less than \$500. The kitchen already had another door into the hallway and through to the lounge. Kelliher added a step to a second outdoor entrance to the hallway to make it more accessible as a main front door. Students, who are his main tenants, are keen to rent

larger properties to spread their costs, he says. The property is currently let for \$950 a week, but he expects to increase that shortly.

Kelliher has done a similar renovation on a second property in Mt Victoria where he spent \$2,500 on custom made sliding doors from PlaceMakers that shut off the second lounge so that it could be used as a bedroom. The room is now rented to a professional, bringing in an

extra \$180 a week. In retrospect, says Kelliher, it was unnecessary to buy solid core doors. The installer said that hollow core doors would have done the job.

The Wellington investor is in the process of adding a purpose-built studio to the Woburn Road property, which will be rented out as an extra room for the four-bedroom home upstairs. It is a prototype for new business Nook Home Studios.



ALLSPACE

The sharing economy is growing fast in New Zealand and one of the latest additions allspace.co.nz is allowing homeowners and investors to make money from otherwise dead space. It's essentially an Airbnb for space such as garages, garden sheds and even outdoor areas that could, for example, be used for parking boats.

Property investor/developer Justin Addis discovered allspace.co.nz when he was looking for storage near Omaha whilst constructing a new build. It was nigh impossible to find something suitable locally and eventually he paid over the odds at a commercial storage facility.

Addis also owns two rental properties in Orakei (Auckland) and was until recently using one of the garages for his own storage, is now looking at options to capitalise on that empty space through allspace.co.nz. The garage is not part of the existing tenancy agreement.

One of the issues is security for a shed or garage let separately to the main tenancy. However, in most cases the items being stored aren't hugely valuable, says Addis. "To be honest, if I am storing something of higher or extreme value I would look to store it somewhere suitably secure," says Addis.

Landlords do need to be aware of the "quiet enjoyment" provisions of the Residential Tenancies Act, which says tenants should be able to enjoy reasonable peace, and privacy.

Auckland investor David Johnson did a deal with existing tenants who showed little inclination to mow lawns and let the shed separately from the tenancy. The agreement with the tenants is that the shed profit goes into lawn mowing and maintenance for the property.

"The tenants were responsible for the lawn and backyard maintenance," says Johnson. "However, after one of the boys moved out the remaining tenants were not able to look after the property. So I offered them to rent out the shed for storage space and the profit from it would go towards having a professional company to do lawn mowing and landscaping. They were very keen about the idea."

Johnson and the tenants met the shed renter before he moved his belongings in and the tenants manage the arrangement. The shed is let for \$30 a week.

"I think All Space is a great deal for me. The lawns and backyard are being maintained by professionals on a regular basis and the tenants are happy as well as they don't have to worry about the upkeep."

“The washing machine and drier can be incorporated into one of the bathrooms, the garage, or a large cupboard”
Ilse Evans

GARAGE CONVERSIONS

The garage conversion is another favourite of investors. Garages make great living spaces but typically need consent under the Building Act if being converted to habitable space. Building work to convert a garage into a warm dry space should cost between \$5,000 and \$10,000 says Mark Trafford, director of Maintain to Profit. Older garages may need more work than newer ones because they may not be satisfactorily lined and the floor may need raising and/or a damp proof course added. If you want to create a standalone tenancy with a kitchen, bathroom and possibly laundry you will need full building and resource consent.

ADDING ON

Building an extension is notoriously expensive. Some investors, however, are able to convert outbuildings into liveable space. There is also the possibility of adding a rental cabin. Plenty of landlords do just this says Fenton Peterken of Just Cabins. It's more cost effective in the larger centres where room rental is more expensive. "If you can rent a cabin for \$70, \$80, \$90 a week from us and let it for \$120 or \$13 a week that's \$30 or \$40 dollars a week additional income with no capital outlay," says Peterken. "Then you have infinity return on investment." ■