

RENOVATIONS - THE REAL DEAL

You can spend a little or a lot on your property – provided you get a return on your investment. **Carolyn Brooke** looks at the best investor renovations for every budget



Renovating the front added a huge amount of street appeal to this house

AFTER

PUTTING ASIDE REQUIRED maintenance and upkeep, investors should really only ever renovate rentals to increase equity, increase returns or both. So before even starting a renovation, you need to be clear on why you are doing it. A well-planned and well-executed renovation should add value to your property and increase its tenant appeal and achievable rent.

Investors want smart returns on renovation spends and it's important to make decisions based on quality as well as cost, Mitre 10's Easy As building expert Stan Scott says. Spend money in areas where you want long-lasting results.

"You've really got to look at what you're buying; obviously you don't want to buy a cheap hot water cylinder or cheap taps that are going to leak through your wall but you might get away with cheaper carpet," he says. "Where you want to spend your money is on things like good-quality paint, tapware and tiles."

Renovations won't always be cheap or easy but will be worthwhile. Aside from higher values and returns, good tenants will appreciate a renovated property and are more likely to stay longer and treat the property better. Be careful not to throw yourself in the deep end with renovations though. Understand the costs and time involved with a job before doing it. Anything structural or requiring council consents will unlikely be straight forward



BEFORE

PHOTO COURTESY OF PAIGE

or cheap to do. Sticking to a realistic budget and timeframe is important and never over capitalise a rental.

UNDER \$500

Bathrooms: One of the most cost-effective improvements to a bathroom, especially a small one, is painting it white and adding a large, new mirror. It looks clean and tidy and gives an illusion of extra space. Time and costs involved come down to wall conditions (are prep, fillers or primers needed?), thickness of paint applied and the type of roller used. But if it's a straightforward job then a light sand and a four-litre bucket of good-quality enamel paint should do it. A mirror might cost anywhere from \$50 to \$100. So all up it could be around \$200, plus four to eight hours' work depending on your skill.

A SCRUFFY-LOOKING HOUSE PUTS OFF BUYERS, TENANTS AND VALUERS ALIKE

BEST RENOVATIONS

UNDER \$500

- Paint bathroom white and add new, large mirror
- Tiling splashback for bathroom vanity, kitchen sink or oven.
- Snaplock flooring in a small kitchen or laundry.
- Painting fence and new letterbox or replacing front door.

UNDER \$1,000

- Replace toilet and vanity.
- Repaint kitchen cabinet and new bench top and handles.
- New curtains throughout house
- DIY fence (approx 10 metres) or pave a patio area

UNDER \$5,000

- New shower (pre-moulded fibreglass style shower with a glass door) installed approx \$1,500
- Standard range U-shaped kitchen with Formica bench, sink and standard, tanalised cabinetry approx \$4,000. Installed \$5,000 to \$6,000. Not including appliances.
- Recarpet or internal paint of whole house
- Insulation (average cost about \$2,000 under EECA scheme)

UNDER \$50,000

- Add an extra room using existing space \$5,000 to \$10,000
- Add a room by extending house \$35,000 to \$45,000
- Project managed bathroom renovation \$25,000 to \$30,000
- Good but lower end kitchen replacement including installers, subcontractors, flooring, appliances and granite top \$15,000 upwards

OVER \$50,000

- Minor dwelling (i.e. converting a basement) total cost including consents and connections \$100,000 to \$150,000
- Second dwelling (60 sqm two bedroom house) total cost including consents and connections but not subdivision \$150,000 to \$200,000
- Subdivision costs including consents and connections \$60,000 to \$100,000
- Second dwelling (approx 160sqm single level house) \$200,000 to \$250,000 after subdivision



Tiling a splashback behind a vanity could be done for under \$500, Scott says. It not only looks smart but it helps protect the wall. Replacing a toilet like for like should also come in under \$500.

Kitchens: Tiling a splashback in a kitchen behind a sink or oven should also come in under \$500. It looks tidy and clean and helps protect walls from food, oil and water splatter. Replacing all handles in the kitchen should come in around \$200, Scott says. Kitchen storage can also be improved with simple trays, dividers and rubber mats. A stainless steel knife bar, a couple of pre-cut corner shelves, a spice rack or a rail can all make a kitchen more user-friendly.

Bedrooms and living areas: Painters are at the lower-cost end of contractors and you should be able to hire a good one for \$25 to \$30 an hour, Scott says. Labour and materials to paint an average size room with little prep should come in well under \$500.

“But it really depends on how much prep there is – do you need to remove wallpaper, are you going to paint over it or are you going to just give existing paint a light sand and paint it?”

New paint shows pride in a house and is immediately visible. A nice and tidy presentation should give prospective tenants an idea of how you expect the house to be kept. It’s important to use quality brands like Resene, prep properly and use the correct type of paint. Stick to neutral colours or whites for wide appeal people and for easy repairs and touch-ups.

A decent but unflashy light shade could price around \$40 and will look good. So replacing all light shades (say three

bedrooms, a lounge and hallway) could be around \$200. “Lighting is really important in a house if you trying to sell it or make it look good.”

Outside: A scruffy-looking house puts off potential buyers, tenants and valuers alike. A newly-painted fence, tidy garden and neat letterbox can go a long way in impressing all three groups and could cost \$200 DIY. But make sure you waterblast the fence first. Pick up a letterbox for \$50 to \$100 – even new numbers are a small improvement. Replacing a front door should cost under \$500 while new internal doors could be around \$200 each including DIY paint and handle.

There are many deals out there for exterior chem washes for houses but make sure you use a reputable company. It should cost well under \$500 and can achieve a quick, vast improvement.

UNDER \$1,000

Bathrooms: Replacing an existing toilet and vanity. “Realistically it should just be a really straightforward swap over, it’s quite a big improvement to a house,” Scott says. “You can pick up a vanity pretty reasonably and you can pick up a nice tidy toilet for \$150.”

Kitchens: Changing kitchen bench-tops, painting cupboards and replacing door handles are easy improvements and a lot cheaper than having to replace a whole kitchen. Scott recommends paying a bit more and having bench tops made up properly.

Flooring: New vinyl in a bathroom, kitchen or laundry should come in under \$1,000 in most cases. Jared Schofield,

owner and managing director of Flooring Direct, says that the vinyl itself doesn’t vary enormously in price: The brands he stocks range from \$35 to \$80 per lineal meter, and comes in widths of two or three metres. The quality of the vinyl tends to be the same, but the more expensive types usually have more modern designs. The upshot is that any vinyl will perform well in a residential rental, says Schofield: It never wears out, it’s warm and forgiving.

“I recommend sheet vinyl, because it forms a water barrier over the whole floor,” says Schofield. The total cost of installation for sheet vinyl in a small 2m² bathroom would be about \$700.

“A lot of the cost is in the floor prep,” he explains. “I recommend that we uplift the old vinyl and really prep the floor properly.

You get what you pay for – if you take shortcuts you may pay for it later on.”

Storage: There’s a range of laundry, wardrobe and garage shelving and storage units available. A set of attic stairs to access roof storage is another good idea. You can buy one and have it installed for under \$1,000 and it really adds storage space – which tenants love.

Bedrooms and living areas: For under \$1,000 you should be able to kit a whole house with thermal-backed curtains if you hang them yourself. It’s going to help keep your heating bill down and the warmth in more too.

Replacing handle hardware throughout the house is another option. You don’t want to go with cheap stuff but there is a wide range to choose from, Scott says. If existing ones are good quality then look into having them polished, rechromed or relacquered instead.

Outside: Building an average-size fence (about 10 metres) yourself should come in around \$1,000, Scott says. Double that if paying someone else to do it, keeping

in mind the cost will depend on the type of fence and ground condition (volcanic rock, for instance, makes it harder to dig). Materials usually make up about 50% of cost, Scott says.

A DIY build of a small-to average-size deck yourself should fall in the \$1,000 to \$1,500 range. A building permit is not needed for decks under 1.5 metres above ground level.

Garden edging is another easy outside improvement. Costs will depend on type of edging used and garden size, macrocarpa sleepers or retaining style timber and will cost from \$500 to \$2,000.

Creating a small outside area with pavers and pot plants should price under \$1,000. Time involved depends on digging to reach a solid base and soil conditions.

UNDER \$5,000

Bathrooms: A new pre-moulded fibreglass-style shower with a glass door could cost anywhere from \$500 to \$1,000. Paying someone to install it would bring total cost up to about \$1,500. Some shower

SPEND YOUR MONEY ON GOOD-QUALITY PAINT, TAPWARE AND TILES

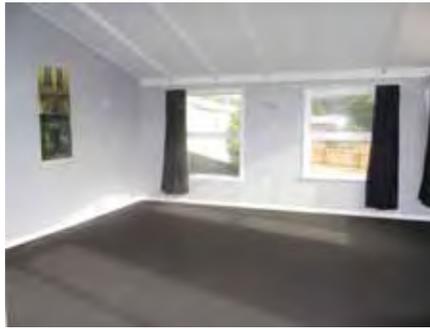
READER RENOVATIONS



BEFORE



AFTER



We recently put out a call on Facebook to all our readers to send in their best renovation photos. Our favourite photos this month came from Caroline Pearson, who sent in these fantastic before and after shots of renovations on her properties. Caroline receives a copy of the Cashflow Forecaster CD. Like our Facebook page to see more reader renovations and competitions.

types tend to leak more so always check with a builder or shower installer. Also, costs can creep up if hidden horrors are found in and behind walls. Tiling a shower really starts to add up and paying someone to do it could cost anywhere from \$1,000 to \$5,000 depending on materials and size.

A building consent shouldn't be needed for a replacing like for like improvement. Scott recommends quality brands of tapware like Methven (this is New Zealand made).

"There is a huge range of price with tapware and there are some really nasty Chinese ones on the market, the washers alone are more expensive to replace than the taps themselves." Look for warranties and guarantees on all goods and ensure plumbers, electricians and gasfitters give certificates for work.

Kitchens: A kitchen replacement, depending on the size, could cost from \$4,000 to \$10,000.

"If all the services are in the same place then you don't need tradesmen to hook

things up," he says. "You could put a whole kitchen in, a good-quality New Zealand made one, for \$5,000 to \$6,000."

A standard range U-shaped kitchen with Formica bench, sink and standard, tanalised (to stop rot) cabinetry could cost around \$4,000. The Mitre 10 website has an instruction video showing how to install these types of kitchens. Scott says it might take a handy type person a couple of days to do otherwise paying an installer should be around \$1,000. Keep in mind that if rot is found when pulling out the old kitchen then it'll need to be sorted out. Shop around for appliances, nothing flashy but you want decent-quality ones.

Bedrooms and living areas: The average three-bedroom rental property needs about 23 lineal metres of carpet, says Schofield. He recommends a solution-dyed nylon carpet, which comes with a 15-year wear warranty.

"It doesn't fade, it's easy to clean and it wears really well," says Schofield. "Including installation it's around \$3,000 for an extra heavy-duty rated carpet, plus about \$600 extra for underlay."

Prices go down as low as \$2,000 for a budget carpet (including installation, excluding underlay), but Schofield says that very cheap flooring often proves more expensive in the long run.

"We've had property investors who've been clients for many years, and they always start off with cheaper products," he says. "When they've been successful and are on to their fourth or fifth house, they spend a bit more. They know that if they spend the extra money now they save money in the long run."

A complete internal repaint of a house can also be done for around \$5,000, Stan says. "It's by no means a cheap job and won't be high-end either, but it's going to give you a really nice tidy job."

Insulation: The average cost under the Energy Efficiency Conservation Authority scheme to insulate a home has been about \$2,000. If you're doing it yourself, then allow about \$1,200 for underfloor and ceiling insulation materials.



BEFORE



AFTER

Stepping up

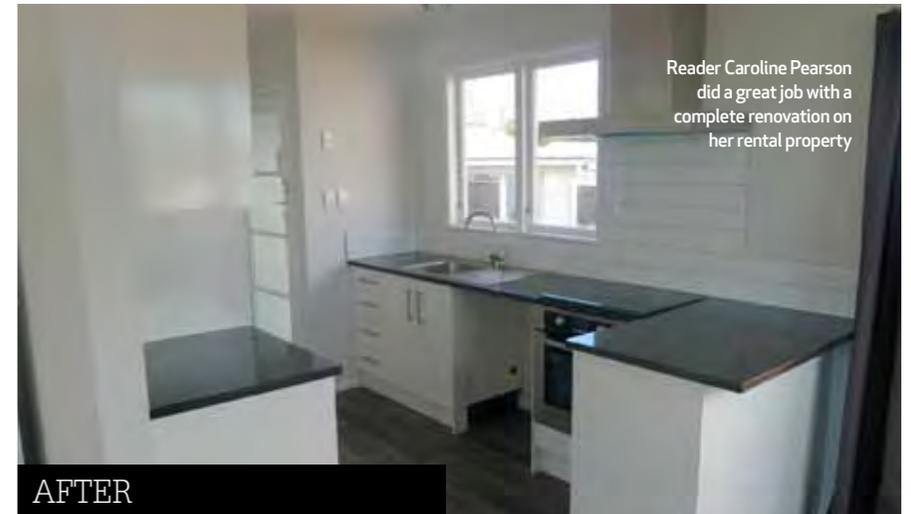
Finesse Residential director Murray Kee says renovations depend on your long- or short-term plans for a property. "Looking at a short- to medium-term hold? Then kitchens and bathrooms are the two areas that add value to an existing house. Also a modern, clean, tidy kitchen and bathroom would increase rent or make it easier to rent," he says. "Adding long-term value – extending the house and adding on another bedroom is the key way to increase the property's value and rental return."

Kitchens and bathrooms depreciate over time while an extension remains. "Internal renovations like painting, carpeting, kitchens and bathrooms are part of your long-term maintenance plan on the house. It's upgrading what should be adequate."

With all renovation work, he agrees it's important to not just look at price. "To get a good-quality job and good service you need to pay fair value for it," he says. "Going with the lowest quote is generally a recipe for disaster." Get three quotes and pick the middle one unless you're really confident the lowest will be okay – and the quotes shouldn't come in too far apart.



BEFORE



AFTER

Reader Caroline Pearson did a great job with a complete renovation on her rental property

PHOTO COURTESY OF PAIGET

GOING WITH THE LOWEST QUOTE IS GENERALLY A RECIPE FOR DISASTER

UNDER \$10,000

Extra bedroom: Adding a bedroom will increase rent and the lowest-cost way to do it is to use existing space, like splitting a large room or living space. While adding a room this way doesn't increase the house's overall size, it gives cost-effective returns.

"If it's just putting up a couple of walls, paint and carpet then it might only be \$5,000 to \$10,000, a very cheap way of increasing rent," says Kee. A four-bedroom house with small living areas will rent and value higher than a three-bedroom house with big living areas of the same total size. "A four-bedroom house-and-land package on a small- to medium-density section in Takanini might sell around the \$500,000 mark and rent for \$500 to \$550 per week. The same size three-bedroom house would sell for \$475,000 and rent for \$450 per week."

Council consent shouldn't be required if no structural walls, windows or external doors are being altered – but if consent is needed add another \$5,000 to \$10,000. Always talk to a builder or designer first.

"A wall might not be taking any load but it's a basing element of the house so you can't just get any idiot in to start pulling walls out without knowing what they're doing."

UNDER \$50,000

Extensions: Extending a house by adding on a bedroom could be done for between \$35,000 to \$45,000 including plans, consents and construction, Kee says. "If it's a single-level house and a fairly straightforward place to add it on and without too much work on the existing house then you might get away with about a 15m2 bedroom and maybe a bit of a hallway."

**ADDING
A ROOM
SHOULD ADD
ABOUT 25%
IN VALUE TO A
HOUSE**



An extra room is one of the most effective ways to increase the rent

Valuers will be looking at the size and condition of a house as well as comparing it to other sales in the area. Adding a room should add about 25% in value to a house, says Kee, and increase rent by \$100 plus per week.

Bathrooms: A complete, project-managed and nicely-done bathroom renovation could cost from \$25,000 to \$30,000, he says, especially when getting into tiled walls, extractor fans, good-quality fittings, heated towel rails and under-floor heating. Employing tradespeople and sourcing materials yourself rather than going through a bathroom or renovation company will save money but takes extra effort and time.

Kitchens: A good but lower-end kitchen replacement including installers, all subcontractors, flooring and budget-range appliances could be \$15,000 upward, he says. “That’d be a complete new kitchen, we can do granite bench tops for that price.”

Granite tops are hard-wearing, difficult to damage and last for years, he says. Not to mention they look great. Stainless steel bench tops are bulletproof but expensive.

“A presentable house is worth more than a rundown one and it is much easier to rent,” he says. “Tenants love modern appliances and new kitchens.”

He estimates that at the very least, you’d get the kitchen cost back in value straight away.

OVER \$50,000

Minor dwellings: On a bigger scale you

can achieve higher rents and values by adding a minor unit.

“If you’ve got a three-bedroom house with a basement underneath, you can get consent to turn it into a minor dwelling and turn the basement into a one- or two-bedroom flat.” A section must be over 600m² and a resource consent, plan and building consent is needed. Total costs could be \$100,000 to \$150,000 depending on what services are already there. Council and civil costs account for anywhere from \$20,000 to \$60,000 as a separate water meter, power and sewerage are required.

Second dwelling and subdivision:

Building a 60m² two-bedroom second dwelling could cost between \$150,000 and \$200,000, Kee says, using either a building company or a builder with a kitset and including resource and building consent. It should rent for \$250 to \$350 per week depending on the location.

Subdivision costs anywhere from \$60,000 to \$100,000 including professional fees, engineer, council costs and drainage connections, he says. Generally you should at least recoup costs in capital value.

“If you’re talking say \$100,000 to subdivide and you put a 160m² single level house on it for \$200,000 to \$250,000, then you’re going to maximise rents – so you’ve got great rental return for a pretty small outlay,” he says. “Just be careful who you deal with and make sure you know what you’re doing, there are still a lot of cowboys out there.” ■

RENOVATION TIPS

- Kitchens and bathrooms add the most value for short to medium-term holds while extending a house adds the best long-term value.
- Spend money in areas where you want long-lasting results. Opt for quality tapware, paint, tiles and fittings.
- There is no easy way to do structural work. Always talk to a builder before doing any structural work. Know what you are taking on and don’t cut corners.
- Council involvement makes budgeting and time frames difficult. Most straightforward renovations shouldn’t require council consent but always talk to a builder before changing any walls.
- If doing a kitchen, bathroom or minor internal alternation then get fixed prices from contractors. Costs shouldn’t go over unless something unexpected is found.
- For a full self-managed bathroom renovation (including gutting old, regibbing, stopping, painting, new shower/vanity/toilet) allow at least \$20,000 for labour and materials. Unknown horrors (such as rot behind walls) add to costs.
- Look for warranties and guarantees on all goods and ensure tradespeople are properly registered. Get certificates from plumbers, electricians and gasfitters.
- Get three quotes and pick the middle one (they shouldn’t be too different) unless you’re really confident the lowest will be okay.