

HOTSPACE ○

Designer Renovations on a Shoestring

PROPERTY RENOVATING MINI GUIDE

**9 STEPS TO A
SUCCESSFUL
& PROFITABLE
RENOVATION**

www.HotspaceConsultants.com

Australia Ph 1300 90 88 90 New Zealand Ph 09 368 5997

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9 STEPS TO A SUCCESSFUL & PROFITABLE RENOVATION

Contents

- This Mini-Guide
- Why Renovate
- 9 Steps for Renovating Profitably
- Getting help with your Renovation

This Mini-Guide

Welcome to this Hotspace Property Renovating Mini Guide, your essential first step to renovating your property for financial gain.

If you're renovating now or in the future, then this Mini-Guide is just the thing to get you started. Over the following pages, you'll begin to get an idea of the renovation process and how you can ensure that it runs smoothly and that the renovation you carry out really does add VALUE to your property.

There are a multitude of renovation TV shows and mostly they have a dozen or more trades-people working behind the scenes for free to finish the renovation in a matter of days. Most of us of course don't have that luxury so we need realistic ways of completing our renovation quickly and inexpensively – and profitably.

A well designed, well planned renovation is essential for modernizing your property most effectively. You do not need to gut the property and start again for a spectacular result. You just need to identify the key components and areas to renovate – and then renovate just those things – in just the right way. Colour and product selections are also crucial to creating the best looking, value add, bang for your buck renovation you could ever imagine.

Why Renovate?

People renovate for various reasons depending on their personal and financial goals. You should identify your reasons for renovating your property early on as this will have a significant impact on the decisions you make throughout the process.

PROPERTY INVESTORS

If you're a property investor, then your primary goal will be to add value to the property. And as a consequence of this you will also usually:

- a. Increase the rental income you receive from it
- b. Turn a cash-flow negative or neutral property into a cash-flow positive property
- c. Have more equity available to buy more property or to lower your loan to value ratio
- d. (if selling) Increase probable sale price and decrease time on the market

SUCCESS
BUILD YOUR
PROPERTY
PORTFOLIO



HOME OWNERS

If you simply want to modernize your own home, then some knock-on effects you will no doubt experience include:

- a. Greater enjoyment of your home
- b. Increase in value of your home so that you can use the available equity to buy another property
- c. (if selling) Increase in the probable sale price and decreased time on the market

However, be aware that the effects and benefits listed above apply only if you do not over-capitalise on your project (spending more money on your renovation than what your financial return from it will be once completed). If you are renovating for profit, then it is pointless spending \$20,000 just to add \$20,000 worth of value to the property.

At Hotspace, it is our pure intention to help you spend your renovating budget as wisely as possible in order to add as much value to your property as possible. If there is one thing you learn from this Mini-Guide, let it be that you must employ every way you can to avoid over-capitalising on your renovation project.

Renovate for Profit

Renovating for Profit and 'under-capitalising' are one and the same. The trick to achieving this goal of profiting from your renovation is by being critically selective about what areas and items within your property that you choose to change. In the following '9 steps' section you will learn how to begin identifying which of these you are best to alter for the most profit.

You not only need to select which areas and components in the property to change, but you need to figure out how best to make those changes using the right colours, finishes and products to use for the best results.

Kitchen renovation cost – just \$3,500



Before



After

'Designer Renovating on a Shoe-string' is the Hotspace renovating method that uses the 'design principles' to incorporate a designer look into a renovation - without the designer price-tag. The design principles incorporate the concepts of balance, focus, cohesion and repetition and are how we decide on the best colours, products and finishes for your renovation project.

It is a critical part of the renovation process and if not done well, means you end up spending your hard earned renovating budget

doing the wrong things and making inappropriate colour and product selections. Without using the design principles in your low cost renovation, you are at the risk a half baked result that does not reward you with the return you deserve.

Every designer or person with an 'eye' for good design uses the design principles whether they know it or not. And the subtle difference between a renovation that uses the design principles and one that does not – is what makes one property look more 'designer' and the next one look more DIY. That is – one property that is worth more – and one property that is worth less.

COHESION
REPETITION
FOCUS
BALANCE

Renovating on a shoe-string budget is NOT renovating using the cheapest products and trades-people. It's using good quality products and skilled trades-people and simply minimizing the amount of work you do to the property in order to keep your costs down. Combine this with a good design (using the Design Principles) and you have the golden ticket for a good looking, profit making renovation.

The following examples are typical of the sorts of results Hotspace clients achieve and give you a guideline of what to expect from your own renovations using the methods described in this Mini-Guide.

Property A

Property purchased for	\$283,000
Renovation costs	\$19,000
Total Costs	\$302,000

The result? After a **10 day renovation...**

Revalued at: (Reg Valuation) \$350,000

Equity increase \$67,000

Net Profit \$48,000



Before



After

Property B

Property purchased for	\$310,000
Estimated/actual Renovation costs	\$17,000
Total Costs	\$327,000

The result? After a **2 week renovation...**

Revalued at: (Reg Valuation) \$375,000

Equity increase \$65,000

Net Profit \$48,000



Before

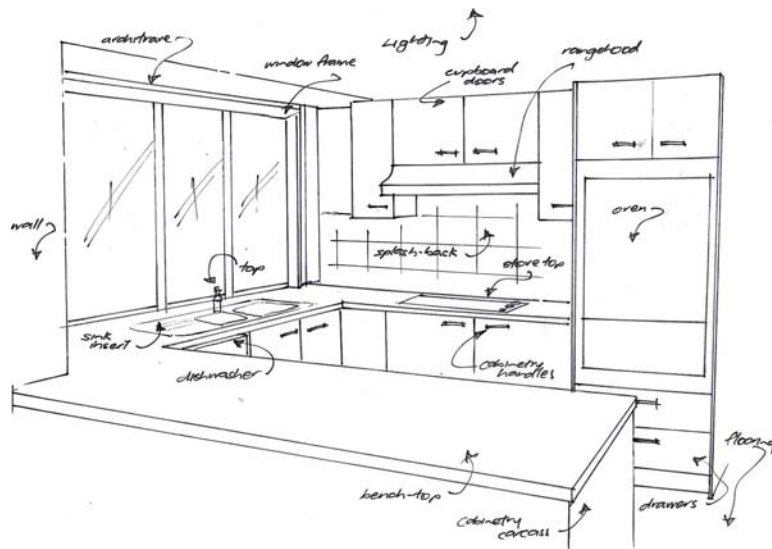


After

9 Steps for Renovating Profitably

The following 9 step process is an outline of the events that lead to a successful, profit making, cosmetic renovation. Follow these yourself or get help from Hotspace on the first 4 steps to ensure the last 5 steps are as easy, inexpensive and profitable for you as possible.

STEP 1 Make a list of every single component in every area in and around your property. For example in your kitchen you will itemise the floors, walls, lighting, window dressings, window architraves/sill/frame, interior doors and architraves/frame, stove, oven, cabinetry doors and drawers, bench-top, splash-back, handles, internal shelving, kick strip... etc... you get the idea. Identify absolutely every component from the next.



STEP 2 Now consider all of these components independently of one another. You will notice that even though as a 'whole' a space might look worn and old fashioned in style, some of the individual components are actually ok as they are. The idea is to identify and change only the few things that need it.

STEP 3 For each component you've identified, consider which of the 5 'R's you are going to use. That is, will you Retain, Renovate, Replace, Remove or Repair? For components of a suitable style, colour and quality, you may like to Retain them. Renovating is possible in some instances and Replacing is necessary in others. You may infrequently consider Removing a component all together and sometimes you will need only to perform a Repair job.

REPAIR
RENOVATE
RETAIN
REPLACE
REMOVE

STEP 4 Work out what renovation work you will carry out on your property. This is where you use the Design Principles referred to earlier in this Mini-Guide to decide which products, colours and finishes to use. Don't just choose colours, finishes and products that you see in magazines and that look good on other properties – you must choose the things that are best for this property. Warning: Using the Design Principles and making wise renovating choices in your renovation will increase your financial return significantly!



Before

After

STEP 5 Now we get to the 'making it happen' part. Start by preparing a budget tracker spreadsheet to keep tabs on your renovation spending. Your spreadsheet will have columns such as Area of house, Component (handles, cabinetry doors, window dressings, lighting etc...), Which 'R'? (Retain, Renovate, Repair, Remove or Replace), Specification (colour, product name and code), Supplier (shop name), Who to purchase the products (you or the trades-person carrying out the work), Supply cost, Installation Cost, a notes column, invoice 'received and correct' column, invoice paid etc...

Now enter the details of your renovation design into the first 5-6 columns of your spreadsheet

Area of property	Item or component	Task	Specification	Supplier	Purchaser	Installer	Supply price	Install/make good price	Total price	Invoice received	Invoice paid

STEP 6 Next, obtain quotes from the individual trades-people you require for your project (painter, plumber, electrician etc...) or employ a Project Manager to do it for you (much less hassle!). Update your spreadsheet as you gather the information and quotes and give the go-ahead to your contractors only once you have ALL your pricing together (and you are confident your budget is going to be on track). If you are planning on doing all or some of the work yourself then you'll just need to obtain and record the costs of the products and materials you're using. If variations arise (changes to the project and costs after initial trades-persons quotes have been signed off) then ensure these are given in writing, even if its on the back of an envelope on site.



STEP 7 Set a specific date of completion for your project. Be realistic about how long things will take and when the various trades-people are available to work on your project. Talk to all the trades-people involved before confirming your renovation programme and deadline to make sure it is realistic and achievable. Careful planning and preparation of your renovation is essential. Try to plan well in advance so that as soon as the property is available (the tenant vacates, the property settles etc...) you are ready to go. In most 'renovate for profit' situations, time is money. The quicker you can get started and the faster your renovation takes, the less downtime your property will experience. Every day you spend on your renovation over and above what is absolutely necessary, costs you money. For example, if you have borrowed \$300,000 and you're paying 7% interest, then every day your property is vacant and waiting for you to complete the renovation will cost you around \$57 per day or \$400 per week.

STEP 8 If you are managing your renovation yourself, then be sure to visit the site briefly and frequently throughout the process. Your Project Manager will do this for you if you are using one. It's well worth getting along with your contractors as much as you can. They are a great source of information and knowledge specific to their trade. In particular, if they like you then they will be more likely to help you – and probably save you money where they can along the way. You will inevitably encounter hiccups (it always happens – even with the most experienced of project managers) throughout your renovation process, so working tightly with your trades-people is essential. Be sure not to hang around any longer than necessary on site. Rather, do a quick review of the renovation progress on site, ensure trades-people are on track, discuss and resolve any problems that arise – and then leave. Make sure all trades-people

can easily get hold of you at a moments notice when you are not at the property since any unanswered questions or problems on site can cause delays.

STEP 9 Pay your contractors on time after they have finished every last detail on your renovation. You should agree your payment details up front if possible so that you know how much money is due to who and when. You may be requested to pay a deposit and then progress payments as your renovation project advances so it's important to know when you will need to have these funds available. Never pay your trades-people up front unless you want to run the risk of them not completing their part of your renovation to your 100% satisfaction.



The above 9 steps are essential to follow for ensuring a quick, profitable, cosmetic renovation. Individually the steps can be a little tricky, especially if you are inexperienced. Be sure to ask lots of questions and get help along the way wherever you can.

Getting steps One to Four right ensures your renovation runs most effectively during steps Five to Nine - so that you add as much value as possible to your property within your pre-determined budget. Your renovation success and profitability depends on you making the right choices up front (steps 3 and 4 in particular). When you get the design of your renovation right AND the amount of money you budget to achieve that effect (not too much and not too little) – you get the best looking, bang for your buck renovation possible when you go to implement it.

If you don't have a good eye for design, then don't fall in to the trap of copying what has been done on another property (in a magazine or on a TV show you have seen). A TV or magazine property is usually fitted out from start to finish with a high budget - and in order to achieve that look, you too will need to spend a lot of money.

If you are retaining any of the colours and products in your renovation (which you will be if your budget is low), then you need to work with those colours and products – not against them. Using someone else's colour scheme and product choices on your property where only some of the elements are being renovated will not work the same as the image you are trying to re-create.

Getting help with your Renovation

If you're blessed with other gifts but do not have an eye for good design, then Hotspace is here to help you through your first 4 steps – to achieving the best looking, bang for your buck renovation you possibly can.

Spending a relatively small amount of money up front helps you make sure:

- a. You spend the most appropriate amount of money on your renovation
- a. The money you DO spend is on doing all the right things in just the right way

A Renovation Design Report is how we convey our renovation recommendations to you specifically about your property. You can view a sample of one of these on our website – www.HotspaceConsultants.com. It's a comprehensive description of what you should cosmetically do to your property and how. It contains all the colours, finishes, lighting, flooring and window dressings we recommend you use. It has kitchen renovation advice,

bathroom renovation advice, recommendations for your garden and the exterior of your property, bedrooms, lounge, dining room etc... – and the list goes on.

We work via photographs and have built a whole system around doing our Renovation Design Reports this way - so wherever your property is located, we're here to help you get a designer edge with your renovation without spending a fortune.

Don't 'wing it' and risk a half baked result by designing your renovation yourself. For the sake of a few hundred dollars (\$795 for a Unit, \$995 for a House and \$495 for Exterior only) get a Hotspace designer to prepare a Renovation Design Report for you.

Talk to us if you have a property you're considering renovating or complete and return the form on our website to request your own Renovation Design Report.

Phone now to discuss your renovation

AUSTRALIA
PHONE 1300 90 88 90

NEW ZEALAND
PHONE 09 368 5997

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