

When Looking To Sell, When Shouldn't You Renovate?

If your property is in need of repair or you're even considering a few renovation projects to get it ready for sale, there are a few things you need to consider first. Whilst well planned, cost effective renovations can certainly add value to a home, there is always the risk of over capitalising. That's why it pays to look into the types of renovations that really add value to your home and appeal to potential buyers. So when you're looking to sell, when shouldn't you renovate? Remember, renovating for your own personal use and renovating to attract a wide range of potential buyers can really be two different things. It all comes down to your return on investment or ROI. Basically, you'll want to ensure the amount you invest in the renovation is less than the value you're adding to the property, and the sale price you're likely to achieve. Here we explore some of the situations where we wouldn't recommend renovating if you're looking to maximise your sale price.

If margins are thin

If your property isn't in desperate need of repair, and you're confident you have quite a bit of equity existing in your property, then renovations may not be necessary. Especially if after crunching the numbers, you're not confident you would be increasing the sale price by that much, and remember a return on investment can never be guaranteed.

If you need to sell quickly

Renovations take time, both to plan and budget for as well as to be completed. So if you're looking to sell in the near future, renovations may simply not be possible. Remember that renovations often go over budget and can take longer than first anticipated so factor both of these considerations into your decision.

If the renovation will personalise the home too much

Some renovations appeal to most buyers, like upgrading kitchens and bathrooms, but others can be quite personal to you and your particular needs, taste and style and therefore won't appeal to the largest number of potential buyers and should be avoided. This can include adding extensions like granny flats, converting bedrooms into specific-purpose rooms like a media room or library, and separating rooms by adding additional internal walls.

If the renovations will cost more than 10% of your home's value

A general rule of thumb when it comes to renovating a property for profit, is to spend no more than 10% of the property's value on the renovations. So the first step would be to ensure you have an up-to-date valuation of your property, performed by a professional. The next step would be to work out a budget, and ensure you add a buffer in case of unforeseen additional expenses. Using the 10% rule, this means a home valued at \$500,000 would have a total renovation budget of \$50,000. Any more than this, and you risk over capitalising.

If the renovations won't suit your target market

This is why doing your research is key. What is the demographic of your property's neighbourhood? Mostly singles and couples? Mostly retirees or mostly families? Finding out who the neighbourhood is likely to attract will help you determine suitable renovations and not so suitable ones. For instance, if your local market is likely to attract families, think carefully before adding stylish but potentially hazardous staircases, or ornate glass features.

Ask if you're unsure

When planning a renovation, don't shy away from asking your local real estate salesperson their opinion on the condition of the property, the type of buyer the home is likely to attract and any renovations they would recommend. You may be surprised! If your home isn't in need of massive renovations they will tell you and you may save yourself a lot of hassle, time and money.

(Harcourts International)



And the Property Market is Hot!

Now is the PERFECT time to plan an effective selling campaign to get a top result. Property stocks are at an all time low and buyer numbers are high so now is the BEST TIME to sell.

Latest Harcourts Sales Statistics (November to December 2015 Sales)

- 80% of properties sold for more than RV
- The average sale price was 18% over RV
- Highest sale price over RV was 49%

Certificate of Title

The Certificate of Title includes the following key information:

- Legal details – including estate type, title, and legal description
- Current legal owners
- Covenants and easements – including right of ways
- Interests – including ownership transfers, mortgages
- Diagram of the plan of the property (depending on the title type ordered)

Why this information is important when buying

Legal and owner details. A Certificate of Title will outline the legal boundaries of the property and will let you check the people named as the vendors match those on the title. It will also outline the type of ownership of the property, such as whether it is leasehold.

Covenants and easements. A Certificate of Title will detail any covenants and easements, which are any restrictions on the property and the section. Covenants are often put on properties, especially in new subdivisions, to ensure that any structures built on the land are in line with the quality of the properties in the area, they may also be used to restrict certain activities.

An easement, such as a right of way and drainage rights, should also be carefully checked to understand the terms of conditions of the easement and any responsibilities the owner has in maintaining them.

Interests. If there are any interests in the property other than transfer or mortgages you should pay very close attention to these and check them thoroughly.

Diagrams. A copy of a title that contains a plan of the land is also available. This will allow you to check the property boundaries to ensure they match the physical boundaries of the property.

If you have any concerns or questions regarding what is outlined in the Certificate of Title and how it will affect you, then consult your lawyer and/or get a surveyor to inspect the property.

(Rainey Collins)

John Callam 803 1733 027 223 3126 john.callam@gmail.co.nz

Philippa Seidelin 803 1740 021 148 2430 philippa.seidelin@xtra.co.nz

www.johnandphilippa.com

