

How to successfully maximise your returns on an investment property through renovation

By [Yael Geffen](#)

26 Jul 2019

The aim of purchasing an investment property is very simple: to achieve the best possible return through rental yields in the short-term and capital growth in the long run, but astute investors always look for ways to maximise their returns and renovation can be a very effective method.



One can usually charge a higher rental on a renovated property and savvy upgrades can also potentially boost your property's value over and above what you would have been able to achieve by waiting for it to simply appreciate over time.

Another benefit is that it is possible to attract a better quality of tenant with a more modern home and this often translates to a reduction in prolonged vacancies and loss of rent, something that all investors aspire towards.

However, not all upgrades are equal and overcapitalisation is a very real risk. In order to capitalise on the additional investment and maximise the return, it's essential to do one's homework, especially as building costs are now at a premium.

Determine neighbourhood ceiling value

The first step is to take into consideration the current value of your home as well as property prices in your area as neighbourhoods generally have a ceiling value, meaning a certain threshold up to which buyers and renters are willing to pay. Also, take the time to find out what trends and home features are currently most popular as well as those which are considered undesirable. It's important to remember why you are renovating and not to let personal preferences override practical decisions.

Having recently renovated my own investment property, the old mantra, 'location, location, location' is still a key factor. I specifically looked for a property situated in a sought-after and established neighbourhood and in close proximity to at least one good school, shopping centres and other important amenities like places of worship. Security is also an important factor to prospective tenants and I eventually bought a townhouse with 24-hour security situated very close to popular amenities as well as a school.

So which upgrades are likely to add the most value to your property? If one is on a tight budget there are a number of things that will give a property a notable facelift:

A fresh coat of paint will always make a huge difference to any property as newly painted walls always look clean and bright. But rather than just slapping on another coat in the same monotone, get a little creative. This will not only modernise the home but innovative use of colour can also detract from flaws like small windows or narrow rooms by creating the illusion of space and light in even the smallest area.

For instance, a long narrow room will appear wider and more balanced if the two longer walls are painted in a slightly lighter shade than the end walls. And warm colours will add warmth and atmosphere to uninteresting spaces such as separate dining rooms.

Light fittings can change the mood of any room. The difference that good but inexpensive lighting makes is fundamental. Poor lighting can make a room look small, dark and cramped, while a well-lit room appears more spacious and welcoming. You can simply update old light fittings or, if the budget runs to it, install additional wall lighting and buy standing or table lamps for a more subtle and contemporary effect.

Kitchens and bathrooms - These rooms most reflect the age of a home and can make it feel especially outdated and unappealing. The quickest and easiest way to perk up a kitchen or bathroom is to replace old-fashioned and worn handles, and knobs and fittings like taps, shower heads and toilet paper holders.

And, if the budget stretches to it, new floor tiling will dramatically uplift these rooms. If not, then consider tiling small areas like a colourful backsplash behind the stove or above the bathroom basin and finish the effect with a modern mirror.

Flooring – Old, worn floors can significantly age a place. Rip up aged wall-to-wall carpets and sand and polish wooden floors. If your budget runs to it, replace old tiled areas with modern tiles.

Create more living space - One of the most economical ways to increase the living area within the footprint of an existing house is to create open plan living by establishing seamless flow between the interior and the often under-utilised outdoor space. This can be achieved by simply replacing a single door with glass sliding doors and thereby expanding the living area to create a spacious and multi-functional communal space.

Spruce up the garden – Buyers' and renters' first impressions can make or break your investment.

If your budget runs to it, create an open-plan living area with lots of natural light and it's usually worth adding a garage to an older home with a single garage if you have the space but it must always be attached to or at least close to the house as security is a key factor these days.

The addition of a cottage or flatlet is also likely to add considerable value to your home as they can be a source of rental

income and also caters to the growing popularity of dual living.

A final word of caution, beware the dangers of DIY because, whilst all the reality shows on television make renovating look easy, and even fun, the results of a poorly executed renovation are far from impressive. Make sure you understand the amount of work that needs to be done and the amount of time you will have to dedicate to the project. With a little forethought, planning and research it's possible to add substantial value to your property.

ABOUT THE AUTHOR

Yael Geffen, CEO, Lew Geffen Sotheby's International Realty

For more, visit: <https://www.bizcommunity.com>