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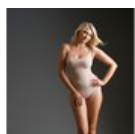
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Property

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Redeveloping Property Tips

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Carly Crutchfield, CEO of CCORP knows a thing or two about making money from property. Here she fills us in on her best tips.



It's not quite development...it's a bit more than renovation... It's re-development.

Re-developing property can be a great way to turn property into profits and build a positively geared property portfolio.

Finance First

Before you start on the project yourself you need to know your own position. Work out what your finances are and what you can afford.

There is no use jumping into the market and looking at million dollar projects if the bank will only lend you enough to buy a \$500k project.

Get your tax returns and personal finances up to date and talk to your bank or broker to work out how much the bank can lend and what you can afford to borrow. I prefer using a broker as they deal with many banks and can find the best options whereas an individual bank is only able to sell their own products.

Research

Next you need to find a project you can work on. The three words we all know when it comes to property are location, location, location. But what does that mean and what makes a good location?

One location can very often be as good as the next but it's really more about knowing the location inside out so you are making the right decisions on buy price, build costs and sales prices. A good example of this is a recent property I bought.

I didn't look at the property because I thought it was the best location ever - it just happens to be a location that I know very well as I live there and I have other properties in the area and so I was able to keep an eye on the market and understand sales and rental prices. In another suburb where I own no property I wouldn't have the same understanding and in-depth knowledge and so would have to start from scratch. Research and knowledge about an area can be the difference between profits and losses.

Check it Out

I conduct a lot of my research of properties and areas online but at some stage you really need to get out there and walk around and check the property out in person - some things can only be seen in the real world so

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Next
Location, Location, Location

to speak. I recently experienced how valuable it is to visit a property before buying.

I walked in to the property and was surprised to find it completely gutted.



The agent showing the property explained that the building had been found to have concrete cancer all through it and so the owner had paid about \$70k to have the concrete cancer removed, with a full report testifying the removal of the concrete cancer.

Some of the people viewing the house were put off it as soon as the word cancer was mentioned, but it only served to interest me further. I could see that this represented a unique opportunity as it gave me less competition in buying.

The Numbers

Once you find a property and do the initial inspection you will have more of an idea of what needs to be fixed, renovated or completely re-developed. The pictured property had no bathrooms, no kitchen – nothing! At this stage I needed to do a full feasibility to work out the cost of re-developing the whole property from scratch.

Sit down and go through each room working out what needs to be done in each, for example:

Bedrooms: carpets, new windows, blinds, walk in wardrobe, lights.

Kitchen: new cabinets, oven, dishwasher, sink, island bench, stone tops, lights

Living: floorboards, joinery, dropped ceiling, lights, sliding doors, windows

Bathroom: bath, shower, taps, sinks, toilet, cabinets, windows, tiles

General: paint, electrical, plumbing, ceilings

Next, go through each item and work out what the costings would be. It is a good idea to start collecting brochures of products, so you can use the internet for your research, just make sure you have current prices for available items.

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Remember, you will need to have an idea of sizes and spaces, as well to work out the costs of things such as carpet and floorboards which are often quoted per sqm. Once you know the sizes of each room you will be able to get a more accurate idea of the various costs.

Once you get all your prices together put them into a spreadsheet or cost calculator to work out your total costs.

The Profit

To know the profits you have to compare your costs to the new value of the property, or what you will sell the property for.

You may be re-developing with no intention of selling, as I sometimes do. This can increase the value of the properties enabling you to generate more rent for them.

It can be hard to guess what the property will be worth once it is finished, but you can work out an estimated value based on real research and comparable properties. Again jump on the internet and have a look at what the market is buying properties for, making sure you are looking at properties with similar size, style and quality to your redevelopment – compare apples with apples.

You can also get a valuer to come and look at the property before redeveloping to give you an idea of what it could be worth once re-developed.

If you are not going to make at least 20% on top of what you spending on the property and re-developing then it is probably too tight to move forward.

Read part two of **redeveloping property**.



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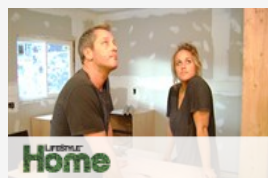
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