

PropertyInvesting.com 'Insider'

Discover proven tips, strategies and techniques to dramatically increase your property investing profits

Issue 10, Volume 5 - October 2006

By **Steve McKnight**

4pm, 31 October 2006

Hi,

Next Tuesday, as the nation prepares to cheer a horse race, the team at the Reserve Bank of Australia (RBA) will be meeting in Sydney to contemplate the merits of yet another interest rate rise. Should an increase be announced, then most post-honeymoon home loans will be hovering around the 8% mark, something not seen since August 2000.

Should rates go up – and it's a better than even bet they will – then expect the property market to become substantially more competitive as buyers become increasingly edgy, while a new round of sellers look to exit their positions.

While the entire property market is likely to be impacted, average investors undertaking renovation projects may come in for some particularly harsh treatment. This is because small reno profit margins can be easily and quickly eroded by higher than expected interest costs (through higher rates or deals taking longer to sell) and lower sales prices (given there'll be more sellers than buyers causing prices to flatten).

To help you to preserve your profit margins in an increasingly competitive market, here are my top five tips that I recommend you consider implementing:

Steve's Top Five Tips To Ramp Up Your Reno Profits

1. Add more in perceived value than actual cost.

For a renovation to be profitable you must add a margin on every dollar of cost you spend. This margin must cover purchase and sale costs, interest, loan establishment fees as well as delivering your desired profit too.

Brendan – one of the R.E.S.U.L.T.S. Mentoring Coaches – came up with a handy formula for cost estimation on reno projects.

He applies a simple rule of thumb to calculate the desired selling price that you'll need to achieve a 10% target profit from a renovation project.

The formula is:

Desired Selling Price = Unrenovated Purchase Price x 1.33

So if you had a property that you purchased for \$200K, and your desired profit was \$20K, the numbers would be:

Desired Selling Price = \$200K x 1.33 = \$266K

Therefore, you'd need to sell your final renovated property for \$66K more than you paid for it to achieve a target profit of \$20K (or 10% of the purchase price).

To understand this formula, let's break down the \$66K:

- \$10K (or 5%) would be swallowed up in acquisition costs (stamp duty, legals, etc.)
- \$20K (or 10%) would be budgeted for the actual costs of renovation
- \$8K (or 4%) would represent your holding costs (for interest costs, rates and utilities)

- \$8K (or 4%) would be lost in agents fees and legals upon selling.
- And finally... the remaining \$20K (or 10%) is what's left over for your before-tax profit for doing all the hard work in the deal!

So, if you take a look at these numbers, you'll notice something quite alarming...

You only have \$20K to spend on renovations, but you have to increase the value of the property after renovating by \$66K!

In other words, every \$1 you spend on renovation has to add at least \$3.30 to the desired post-reno sale price!

This is the essence of renovating for profit - adding more in PERCEIVED VALUE (ie. what someone is prepared to pay for the improved property) than ACTUAL COST (the \$20K it actually cost you to renovate the property)

2. First Impressions Count

I always think it's a good idea to stand at the front of the property with a clipboard and to write down everything you can see and touch as you walk up to the front door and enter the house.

I say this because I'm a big believer in first impressions, so if you can work to make the property subconsciously more appealing, then potential buyers will be pleasantly predisposed to buy the home without even knowing why.

For example, some commonly overlooked areas that hold a lot of visual appeal include: the letterbox (including the number); condition of the roof; exterior paint; windows and curtains; garden and landscaping (attractive smells are a plus); front door; welcome mat; doorbell; hallway and first 'odour' when walking in (faint sandalwood is appealing).

These areas are often quite inexpensive to spruce up and, as a total package, can add a subliminal wow factor without breaking the bank.

3. Focus On Emotion – Not Structure

As a rule, the more favourable emotion you can add, the quicker the property will sell. This is why it's wise to allocate a large portion of your reno budget on overhauling the kitchen and bathroom (i.e. the most emotional areas of a home), at the same time as assigning enough money to repaint the home and also renewing the floor coverings.

Beyond that, be very careful about spending money on areas that are non-emotional or add little value as these can quickly eat into your profit margins. If in doubt, go basic rather than elaborate with things like light fixtures, curtains and landscaping. Note that I say 'basic' rather than 'cheap' because anything tacky will erode the buyer emotion that you've worked so hard to establish.

Finally, try to accentuate the feeling of space by eliminating clutter by using appropriate furniture, cutting back overgrown gardens, tidying up the carport, etc.

4. Careful Cost Control

It's easy to suffer a cost blow out, especially if you haven't bothered to complete a careful and detailed budget before beginning the project. Unsophisticated investors rely on gut instinct, whereas astute investors plan and monitor every cost to protect the end profit.

Guard your budget closely as a dollar saved is a dollar earned.

Also, be sure to avoid costly and unnecessary rework by booking in the right trade, at the right time and in the right order. For example, if you get the floors polished before painting then you may need to spend time and money cleaning up any spills! Get messy trades out of the way as soon as possible (carpenters, plumbers) and, naturally, leave the finishing trades 'till last (paint, floor coverings, etc.)

5. Time Is Of The Essence

A few years ago, an unexpected delay wasn't too much of a problem as home values were increasing faster than the additional interest cost. It's a different landscape now though, and if you suffer time setbacks then your profit may be compromised or even eliminated.

It is vitally important to manage your time budget, and in doing so, being astute about positioning your property so that it hits the market at the right time. For example, putting a property on the market in a major holiday period (like Christmas) isn't terribly smart as many buyers are away on holidays.

In my third book (due out in mid-November) I say that in a down or uncertain property market the name of the game is to get in, get busy, and then get out as quickly as you can to avoid being steamrolled by negative price momentum. That's why I'd be very wary of any reno project that took longer than three months to complete.

Remember that you'll also need to add on the time it takes to sell and then settle on the sale of the property.

I hope these tips have been helpful. Now, let's take a look at an exciting new product that's been purpose-created for investors interested in renovating for fast and fabulous profits.

Here's A Step-By-Step Way To Renovate For PROFIT

If:

- You are struggling to find a property to renovate for profit
- You are worried about renovation costs spiralling out of control
- You are unhappy with the profits of your past renovation projects
- You want a proven way to scale your renovation process so that you can do up to 11 renovations at a time

...then what I'm about to share with you about renovations will be the most important property investing news that you'll read all day.

Here is why:

Renovating for PROFIT is tricky.

Anybody can fix up a property - whether you do the work yourself, or pay others to do the work for you.

However, if you want to be left with a big profit at the end of all your hard work - well, that's not so simple.

When going into a renovating project, there are many unknowns, many costs, and many things that can go wrong. It's hard to squeeze out a profit when, as an investor, you're the last one to get paid.

In fact, many renovations are doomed to lose money before they even begin. Without experience or a structured system, it's easy to underestimate the costs and time required to complete a renovation, or overestimate what the market will pay for your finished property.

That's why for the past six months I've been working with Dean & Elise on a new comprehensive renovation product called "Renovation Toolbox".

Renovation Toolbox contains 4 DVDs, 2 Audio CDs, a CD-ROM and a 133 page workbook, packed with over four hours of video, and almost two hours of audio, all created with one purpose in mind...

To Show You "Step-By-Step" How To Renovate For PROFIT

Renovation Toolbox contains the same step-by-step system that Dean Parker & Elise Jackson (both full-time property investors) use to renovate multiple properties (up to 11 at a time) every day of the week - RIGHT NOW IN THE CURRENT MARKET!

Specialising in renovations, they have completed (or are in the process of completing) nearly 20 renovations - conservatively worth \$3.7M. In fact, as I write this email they are in the process of managing 11 renovations at the same time!

Dean & Elise have taken their proven renovation systems, strategies and insider "tricks of the trade", and broken them down into a "step-by-step" renovating system in a box. In Renovation Toolbox you'll learn how to:

- **Evaluate your next renovation deal the same way the pro's do, using an 18-page, 30-minute due diligence spreadsheet to do an in-depth analysis and determine whether or not there is truly profit in the deal;**
- Use a simple calculation that works out (in just a few seconds) based on how much cash

you have to invest, the maximum amount of money you should spend on acquiring a renovation deal - allowing you to make quick decisions on deals;

- **Select a target area for you to realistically consider for renovations, using two simple "affordability" formulas;**
- Cut through the Real Estate Agent hype and determine objectively how much you can expect to sell your renovated property for, using three simple strategies. (If you buy into the wrong hype, even if your renovation goes 100% to plan, you're lucky if the only thing you'll lose will be your profit!)
- **Quickly modernise the appearance of a house at a very low expense using a series of simple short-cut strategies - including three smart ways to complete a normally expensive kitchen renovation on a budget - and save money;**
- Fast track your renovations using a series of insider tips and strategies that most expert renovators only develop after years of experience - such as why you should always start renovating on the outside, what plants should you use when landscaping, what are the 4 main things you should consider when renovating a bathroom - and many others.
- **And much, much, more!**

You can find out more about what's included in the Renovation Toolbox by going to:

<http://propertyinvesting.com/go/151>

BUT... before you do that... I wanted to let you know that:

If You Order Before 5PM Friday You Can Get The Renovation Toolbox For Less Than Half-Price!

As I've said before, I've spent the last six months putting this product together with Dean & Elise. And aside from the massive amount of time and effort that has gone into this product to make it comprehensive, easy to apply, and "step-by-step", I've invested a small fortune to make it happen.

Literally tens of thousands of dollars have gone into creating the video, editing it, creating the DVDs, recording the CDs and writing the workbook to bring you this resource.

So to quickly recover these costs I'm willing to slash \$350 off, and let you get the Renovation Toolbox for LESS THAN HALF PRICE!

Here's the deal:

Regular Renovation Toolbox Price (RRP) = \$695
Less \$350 introductory discount = \$345

And if you're really strapped for cash, you can even pay for it over three months using our easy payment plan of only \$129 a month.

However, there's a catch: This offer is only an introductory offer, and will expire 5PM THIS Friday 3rd November (assuming there are any left).

100% No-Risk Money Back Guarantee

The Renovation Toolbox is covered by our 14-day "No Questions Asked" 100% Money Back Guarantee.

That means if you're unsatisfied with the Renovation Toolbox for any reason, you can simply return it to us within 14 days for a full refund of your purchase price. - It's as simple as that.

Review the information, go through all the DVD's, listen to all the CD's and read all of the notes - and if the Renovation Toolbox doesn't become part of your plan for profiting from property, then send it back to us within the money back guarantee period and we'll send you a full refund.

As you can see, you really have nothing to lose here. What's on offer is an exceptional deal.

BE QUICK: Already 92 Copies Have Been Snapped Up...

To be fair to the small number of investors who are part of my exclusive R.E.S.U.L.T.S Mentoring

program, I've already given them a few days "head start".

Most of my R.E.S.U.L.T.S participants are actively investing and "in the field", and are in constant need of quality "brass tacks" information.

As I write this email already 92 copies have been purchased.

What this means is that already one third of the available copies have been sold - before you've even received this newsletter.

So if you want to get your hands one of the few remaining copies, you'll need to act quickly.

With over 55,000+ subscribers to this newsletter and the lack of truly actionable, step-by-step, easy-to-implement information out there, I'd be surprised if there were any left at the end of the week.

Once they run out, due to the sheer number of components that make up the Renovation Toolbox, it will be realistically 4-6 weeks before the next batch will be available for sale.

How To Order

It's easy to get your hands on the Renovation Toolbox:

1. Simply open your web browser and go to:

<http://propertyinvesting.com/go/151>

2. Scroll to the bottom of the page and select your payment option (either upfront or monthly payment plan)
3. Click "Add to Cart"
4. Click "Proceed to Payment" and continue the payment process as usual.

Final Words

Next Tuesday I'll be far more interested in what the RBA has to say than which horse wins the Melbourne Cup. I suggest that you spend a few hours thinking about how the property market will change if interest rates increase as expected.

Whatever happens, I'll send you a quick email next week outlining my thoughts on what to do next. Until then, thanks for your time and remember that success comes from doing things differently!

Regards,

- Steve McKnight

P.S: If you're NOT using the tools, strategies, and tips found in "Renovation Toolbox" then in the best case you're leaving a LOT OF MONEY on the table and losing a LOT OF TIME doing things inefficiently. In the worst case you may lose a lot of money.

P.P.S: Your 50% introductory discount on the Renovation Toolbox expires THIS FRIDAY at 5PM. With over 55,000+ readers of this newsletter I strongly encourage you to act quickly, to avoid disappointment.

For more information, or to order the Renovation Toolbox go to:

<http://propertyinvesting.com/go/151>

P.P.P.S: For those who have been asking, there are still a small handful of seats available (81% sold out) for the upcoming Brendan Nichols "Business Building Seminar" to be held in Sydney on the 18th & 19th of November. For more information visit:

<http://propertyinvesting.com/go/152>

Disclaimer: This newsletter is not intended to be a substitute for investment or accounting advice. It is a broad discussion to provide a general understanding. Before acting, you should seek specific advice for your unique situation.

| _____ |

This article reproduced from <http://www.propertyinvesting.com/> with permission.
© Copyright 2001-2004. PropertyInvesting.com Pty Ltd. All rights reserved.