

## cover story

# By the rule book

With renovations, there's a right way and a wrong way. **Peter Vincent** and financial guru **Noel Whittaker** put you straight.

## DO a building inspection

An inspection ensures the building is structurally sound and capable of being renovated. Failure to do this may mean huge costs when the construction work starts.

Building consultant Paul Ratcliff believes it's essential to have a third party – someone other than yourself or the builder – to oversee the progress of the building work.

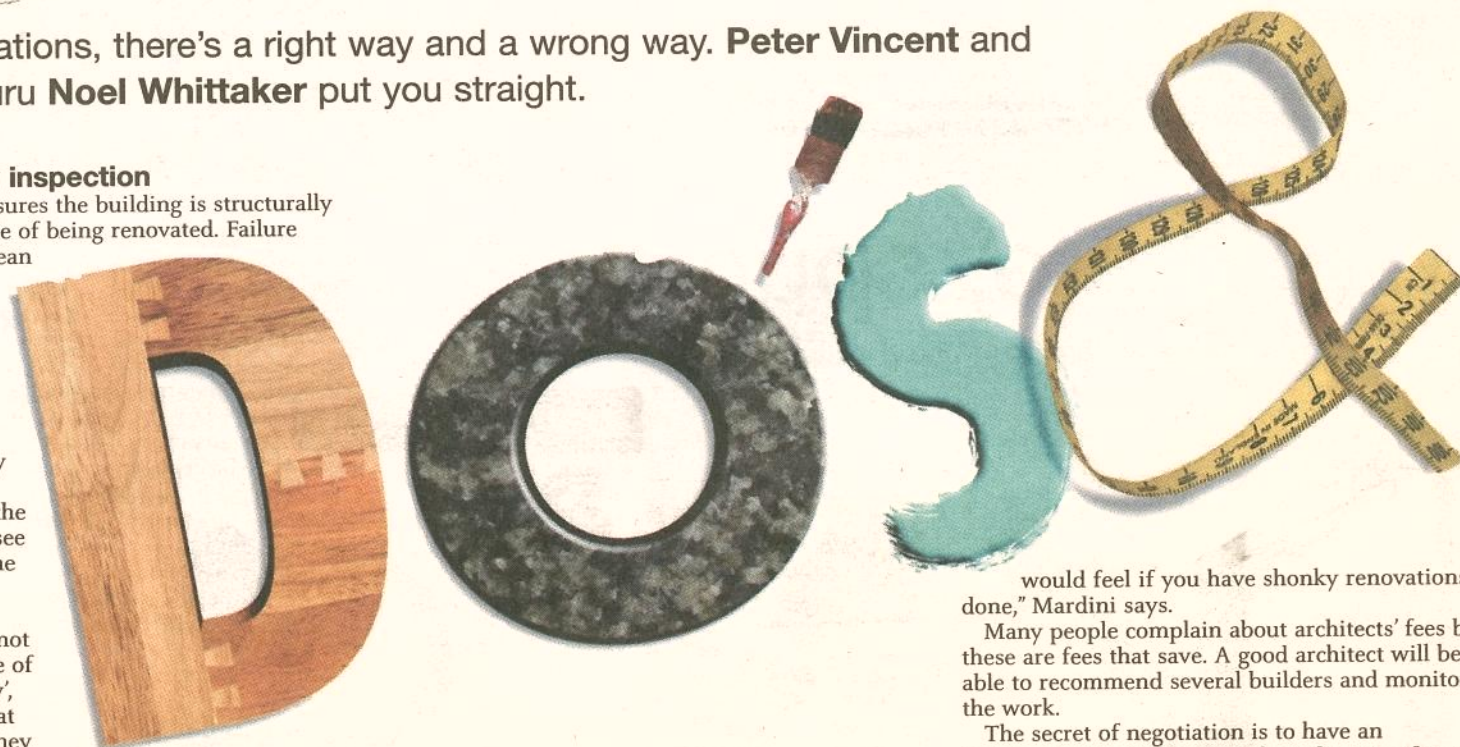
"It needs to be someone who is not too 'in the middle of the site every day', someone who is at arm's length so they can be more objective."

David Lawrence of Archicentre says good initial planning should include documentation that allows you to monitor the work stage by stage. This should include the scope of works, the costs of the most important items, the overall target costs and job duration.

However, he recommends allowing between 10 and 20 per cent leeway on costs and duration, for "strikes, bad weather, delivery problems and other acts of God".

## GOLDEN RULES

- Speak to a builder's previous clients before hiring.
- Spend plenty of time deciding on products and materials.
- Document all prime cost items. Allow 10 to 20 per cent extra time and cost.
- Do not accept a quote just because it's the cheapest.
- Have your home surveyed.
- Have hazardous materials identified.
- Have detailed plans drawn up.
- Put all plans through council.
- Do not price your home out of its area by over-capitalising.
- Contract a third party to monitor the renovations.
- Do not attempt structural repairs yourself.
- If it's a major renovation, move out.



"If you can monitor the job as it is progressing, it means you should not get the shock that so many people get when changes need to be made."

## DON'T go with the cheapest builder

Elvis Mardini of Mardini Constructions warns against picking a builder on the basis of the lowest quote.

"To get work done for as cheap as possible is nearly always a mistake," Mardini says. "It often means the basics are not completed. A cheap price means a cheap job."

Check the builder thoroughly because if you are unfortunate enough to strike an incompetent or insolvent one, you could find yourself in real strife. A slow builder means you could be paying rent and mortgage repayments for months longer than you planned. But worst of all is a builder who goes broke in the middle of a job. You will find yourself paying a small fortune for someone to come and fix the mess.

A good builder will be a member of the Master Builders Association and will be happy to give you the names of people for whom he has recently completed jobs. Take the time to visit some of these people and investigate the quality of the work. Check whether the job was done on time and on budget. "If you feel embarrassed asking this, just think how much more embarrassed you

would feel if you have shonky renovations done," Mardini says.

Many people complain about architects' fees but these are fees that save. A good architect will be able to recommend several builders and monitor the work.

The secret of negotiation is to have an independent third party working for you. If you have a dispute with the builder, there will be much less stress if the architect puts the argument on your behalf.

## DO get your finance right

The cheapest option is usually to extend your home loan if you have one.

Start by working out how much the total loan will be when the costs of the renovation are added to your loan balance. Don't forget to include the extras that pop up. These include items such as landscaping and new furniture and fittings.

Base your repayments on \$8 a \$1000 a month; for example, if your total loan will be \$400,000 when the project is completed, budget for repayments of \$3200 a month. This is more than the lender may require, but it will provide a safety buffer to protect you from interest rate rises in the future.

Once you have figured out how much you need to borrow, you could go for a line of credit loan. The benefits are that you are required to make payments of interest only and are free to draw down the loan as the progress payments fall due.

You do not want to put yourself in a position where your property has to be inspected by a bank valuer every time a progress claim is due. You will be incurring unnecessary fees, but also there could be delays if the valuer has a hectic schedule.

When the renovations are completed, you can

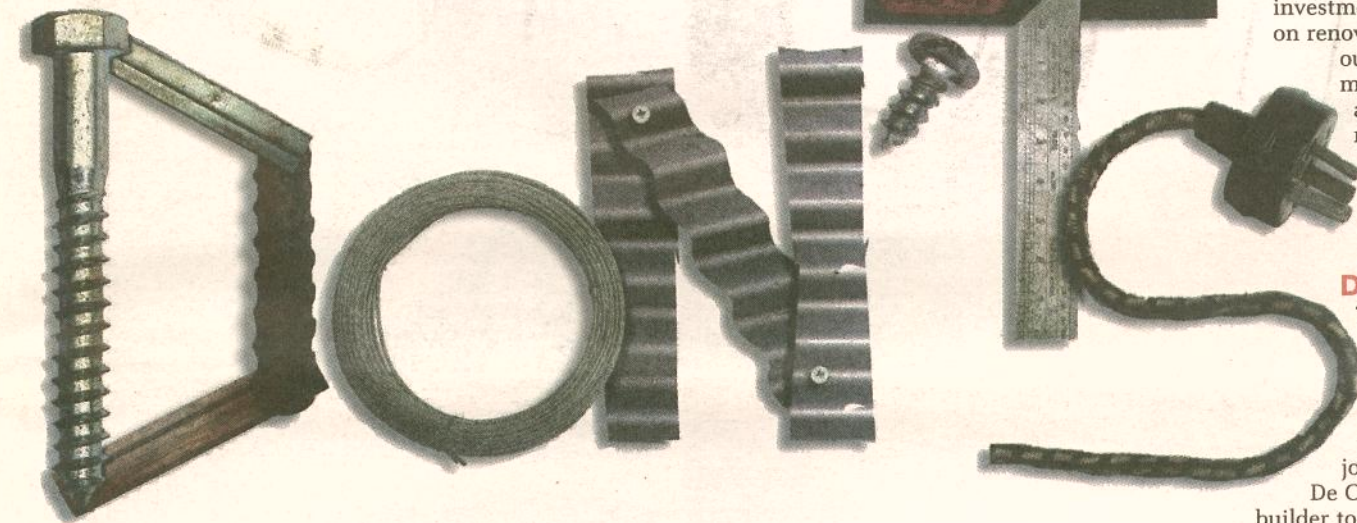
talk to the lender about converting the loan to a normal principal and interest loan.

### **DON'T overdo the DIY**

Builder Colin De Chiara says a lot of time is taken up fixing blunders made by do-it-yourselfers.

"I know someone who took three months to gyprock the ceilings in two rooms. A licensed tradesman would have done it in two days.

"People are watching too many shows like *Backyard Blitz* and believing everything can be done in 24 hours. You cannot do a proper renovation of anything in 24 hours."



Mardini says any structural work is best left to a tradesperson. "I draw the line at pulling out walls, putting in beams, anything like that."

Ratcliff says waterproofing is a job home handy-men should avoid. "You might be putting \$12,000 of bathroom tiles at risk because you wanted to save a few hundred dollars on what a good professional would charge. That's crazy."

The biggest advantage of hiring qualified tradesmen, says Neil Evans, national director of technical and regulatory policy for the MBA, is that they are insured and come with warranties.

### **DO get council approval**

Evans also warns homeowners not to assume that they don't need council approval for minor renovations. When a house is resold illegal building works can detract from the resale value or the council can order their removal.

### **DON'T overcapitalise**

You can avoid this by asking an agent to provide an appraisal of your home's value today to see how it

compares with those around you. If its price today, plus the renovations, does not exceed the average price in the street, overcapitalising should not be a problem. If your house is worth \$600,000, and the average price in the street is \$750,000, you could safely spend \$150,000 on renovations.

### **DO consider the costs of moving**

A good rule of thumb is that moving from one house to another will cost you about 7 per cent of the price of the new home. For example, if you sell a house for \$600,000 and buy another for

\$900,000 you would be looking at close to \$60,000 in expenses. These include the agent's commission, legal fees and stamp duty, loan fees and removalist fees. That is a huge loss of capital.

### **DON'T leave the decisions to someone else**

If you don't choose the products and materials to be used and installed during your renovation, you risk disappointment, or even disagreement, with the builders and architect, says Lawrence. "You should be involved to some extent in all decisions about what is being put into your house."

Most builders should ask you to specify a long list of "prime cost items", which are the most expensive materials and products to be used. According to Evans, the more detailed your specifications, the more competitive your quote will be. "If [your builders have] a lot of unknowns, later on they will have to do a lot of running around and you end up paying for their time."

Mardini says: "Probably the biggest stress on clients is not the building itself - it's all the

decisions they have to make. There are about 500 different types of cupboard handles to choose from alone. Then you've got to choose surfaces, windows, floorboards, tiles, skirting boards, lighting, appliances etc."

He recommends hiring an interior designer if you don't have time.

And don't just go on how something looks. Ratcliff says marble may look good for a vanity top, but it is porous and can deteriorate. "Within three months [renovators] wonder why they made that decision in the first place."

Tas Levantis bought a three-bedroom 1970s-style house in Katoomba as an investment property and spent \$50,000 on renovations so he could rent it out. Having a detailed list of materials and products to be used at the start of the job meant a minimum of delays. "I'm fussy so I was keen to make sure I was happy with everything, but it also helped me to keep track of all the expenses."

### **DON'T stay, if the job is too big**

It is usually easier to move out of your house and rent while the renovations are under way.

"If you try to keep living there, you will slow down the job and that will cost you money," De Chiara says. "If you expect the builder to clean up every day before they leave, they have to stop work an hour early."

Brian Seidler, executive director of the Master Builders Association, says that if you do keep living in the home, the builder's workmanship is not the only important factor. "How well you get on with the builder is a big issue," he says. "You need to feel comfortable raising issues that arise and not be afraid to ask for changes."

### **DO proper waterproofing**

"I have done more than 2500 pre-purchase property inspections and thousands of litigation reports and by far the biggest issue arising out of any renovation is making sure that a building doesn't leak," says Ratcliff.

"People will not accept water dripping through ceilings or from a shower.

"A client will rely on a builder to get it right, but the majority of builders don't know how to do it."

The damage caused by chronic leaks often cost tens of thousands of dollars to repair and can weaken the home's structure. Ratcliff says a tradesman shouldn't charge more than about \$800 to waterproof a bathroom.