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How to avoid overcapitalising when renovating your home

The first question you need to answer is, how long do you plan to own this home?

If the answer is 1 - 5 years, then any renovation decisions should be made with future resale value in mind. On the flip side, if you plan to be in this home for 10+ years, then you can go all out. Add or change anything you want since you will get to enjoy the full benefit of any renovations you are about to complete.

If you are unsure of your timeframe, take a cautious approach and renovate with future buyers in mind.

Here are some more key points to consider...

Understand your market

To some extent, it's important to fit in with the houses around you. There is no point installing a top-of-the-line kitchen in an area where a kitset type is more the norm. In a lower-priced area, buyers may not have the budget to pay a far higher price to reflect your high-end renovation. They also won't want to pay more for your home than they can logically justify using recent local sales.

The top end of your potential value range is somewhat limited by the houses around you.

Visit local open homes and see what well-renovated houses in your area look like. Try and find examples that you can use as inspiration.

A high-quality renovation will absolutely add value, but keep in mind that buyers still choose homes largely based on their intangible features, like sun aspect, views, and location.

Don't chase perfection

It might be ideal if you could extend your bedroom wall and add an ensuite, but as soon as you start moving walls around and adding plumbing, the cost of any renovation will sky-rocket.

Perhaps you could add a second toilet in your existing bathroom by moving fixtures around. It doesn't give you an ensuite, but it will take away those morning queues for the bathroom and save you a heap of money in the process.

Avoid the upgrade trap

Renovations involve a lot of decisions. You have to choose items like tap fittings, cabinets, tiles, carpet colours, lighting. Every choice comes with dozens of options, all varying in price. It is easy to fall into the trap of constantly choosing the slightly nicer, slightly more expensive option.

The cost difference on each item might be small but these changes can add up significantly across an entire renovation.

At the same time, always choosing the cheapest option is unlikely to work out well either. Choose higher-quality options for regular use fixtures like bathroom taps. Make sure you are going for timeless quality, not just trendy looks that could fall out of fashion quickly.

If you upgrade one item, try to downgrade another where you can to help balance the budget.

Break down the cost

Or better still, work out the per-day cost of your desired change.

Let's say you want to upgrade your kitchen and you are choosing between a granite or laminate benchtop but the granite option costs $5,000 more. If you plan to stay in the home for 3 years, then the granite option will essentially cost you an extra $4.56 per day ($5,000 / 1,095 days). More if you are borrowing the money to renovate.

Are you happy to pay that extra amount for your desired upgrade?

Note: The higher quality benchtop should also add value to your home, but there's no guarantee any buyer will pay more for a feature that you were attracted to.

Let's talk it over

If selling is a possibility, then choosing which parts of your home to renovate can make a massive difference to your end result. Sadly, many owners spend money on changes they don't have to, chewing up energy, time and finances in the process.

I often meet with owners who are 3 - 18 months out from a potential sale to discuss what changes will add maximum value. It is all part of my service and I am happy to help.