

Avoid overcapitalising when renovating your home

Property Power •

How to avoid overcapitalising on your house, and which renovations add the most value.

What is overcapitalising?

Overcapitalising effectively means to “improve” your house beyond a point of its market value. When extending or renovating your property, you need to ensure that you are able to recover the money spent, when you resell your property. Get a valuation from at least 2 or 3 different estate agents before you start renovating, and make sure that what you intend to do, will still be in line with pricing of other properties in your area of the same size and type. Keep in mind that, even though you have spent a certain amount of money on renovating, and you intend to add that amount (and some more for a profit) to the price at which you purchased the property, a potential buyer will look at the market value of other similar properties and compare yours to that accordingly.

What kinds of renovations add value?

You have to do your homework about what improvements will actually add value to your property, and whether most people will consider the change to be beneficial. There is definitely a trend towards energy saving and “greener living”. Keep these thoughts in mind when choosing building materials and also try to do your improvements in such a way that will actually benefit your pocket (and potential future owners’ pockets) on a monthly basis, like catching rain water via your guttering to flow straight into the pool to fill it, or grey-water systems to catch your bath water to water the garden, or energy-saving lighting, or solar-heating, and so on.

Ask any estate agent, what sells houses, and the answer will be the kitchen and the bathrooms. Keeping up to date with trends for kitchens and bathrooms is a must if you are wondering what may add value to your home. Ample shaded/covered parking is also a good selling point. Security, i.e. burglar bars, alarm systems, electric fencing, motion detectors, and so on are also important. Storage space adds value too, like cupboards or store-rooms, and also outdoor (staff) bathrooms - toilet, basin, shower.

Draw up a Budget and stick to it!

Shop around for prices on building materials and finishes. Ask friends and family members to recommend reputable builders. Obtain quotations from more than 1 builder, and ask for references – and then make sure to contact these references for peace of mind. The cheapest builder may not necessarily be the best. Sometimes you get what you pay for! Builders should supply detailed quotations, that are in line with what

you have asked them to quote on. Also keep in mind that you will need the services of other professionals like an architect and in some cases an engineer. Again, shop around and do your homework properly. These professionals should advise you on materials and designs and keep you updated throughout the process on whether or not the budget is being adhered to.

This article originally appeared in Property Power 11th Edition Magazine.