NEW HOMES & CONDOS 15 The Toronto Sun ■ FRIDAY, APRIL 8 & SUNDAY, APRIL 10, 2016

<u>NEW HOMES & CONDOS</u>

Are you the renovating type?



LIFE WELL-DESIGNED

'n my design practice. most renovations fall into one of four overall categories. How vou select the property, approach the design and plan the renovation is quite different for each.

Knowing from the outset what you hope to accomplish will set you up for a successful purchase and renovation.

The four most common renovations I encounter are:

- Income properties, where we create legal accessories apartments, duplex or triplex units.
- Force equity, where we buy and renovate with the intention of keeping the property long term — the idea being to reappraise the property post-renovation, and allow that new equity to fund the next property purchase.
- Five-year flip, typical of a first time homeowner or budding investor, the approach is to complete a cosmetic update with the intent of selling within a few years for a profit.
- Dream home renovation, creating the ideal home knowing upgrades or luxury spends can be recouped long-term.

Income property

Location: Pick a location near transit and viable rental pools like universities, trade schools and hospitals; this will ensure you never have vacant units.

Price point: Look for a positive cash flow of \$1,000/month. That means all the expenses and maintenance is 1k less than the combined monthly rental income. This sweet spot of cash flow allows a good buffer should unforeseen vacancies or maintenance arise.

MELISSA DAVIS

Assess the physical condition. The ability to meet legal requirements for fire and sound, parking, ceiling heights, egress, laundry, light allowance and separate entrances are all paramount and necessary before you commit to a

property purchase. Hint: Your local permit office can provide you with the municipal requirements and legal status of a property before you pur-

Force equity

Buy low, renovate to add equity, keep the property long term and use the new forced

equity to buy your next property. Simple, right?

This approach has built a healthy portfolio of properties for many real estate investors. The success is tied to a low interest rate so be sure to now overextend yourself should the rates spike over the coming years.

Location: Up and coming which allow syou to buy low and wait for the increase over time.

Price Point: Fixer upper. affordable house on a good street.

Physical Condition: May need a major renovation however because you're keeping it longterm you can afford to take on a larger renovation.

Five-year flip

Buy low, but safe. Look for streets that have a good range in values already. Let others test the waters, then follow their lead by buying on the low end and renovating to push it to the top of the pack.

Location: Pick an ugly house

hood to keep the risk lower.

Price Point: Bottom of range in area with a history of some properties selling higher.

Physical Condition: Look for a smaller renovation, more cosmetic to keep the surprise expenses at a minimum.

Dream home

Location: Buy into the neighborhood and create the house

Price Point: Invest with the intent to stay with a long-term plan, allowing the renovation investment to reflect the longer amortization period.

Physical Condition: Relative to your overall budget for combined purchase and renovation.

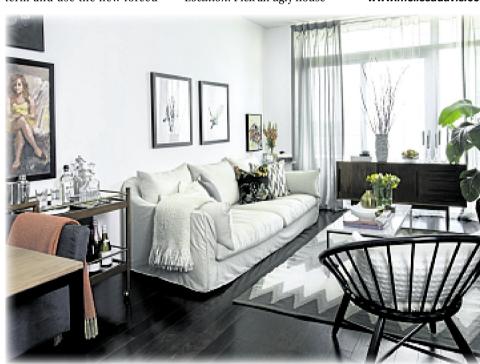
Melissa Davis is a celebrity designer well-known for her appearances and creative work on several HGTV programs. Visit her at www.melissadavis.com.



Choosing a location accessible to public transit and viable rental pools like universities and hospitals will ensure you never have vacant units.



Look for a positive cash flow of \$1,000/month. This sweet spot of cash flow allows a good buffer should unforeseen vacancies or maintenance arise.



A dream home renovation is about creating the ideal place knowing expensive, luxury upgrades can be re-couped over time.



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