

Subdivide and conquer

Thanks to a clever renovation and subdivision project, Sasha deBretton-Gordon's ocean-view home cost considerably less than its \$2.4 million value. **Matthew Liddy**

SASHA deBretton-Gordon is an avid renovator. Once one project is finished, she's dying to move on to something bigger and better.

But a renovation and subdivision project she and her partner have completed in Waterman, Perth has so captivated her that what started out purely as an investment has turned into a principal place of residence – at least until the renovation bug strikes again.

"We were going to do it up, sell the (back) block and the front house and move on," Sasha explains.

"Once we moved in and you could almost put your toes in the ocean and walk to the cafés to breakfast, we decided that it wasn't worth selling, as for what it cost us we could never replace it.

"So we're here for a couple of years anyway – until I get the jitterbug again or my creative juices flow so badly that I need to do another one."

Sasha is always on the lookout for a new renovation project. That's how she came across the Waterman house in the first place, spotting a 'for sale' sign while out looking at a separate property. It immediately stood out as a winning prospect, due to its ocean views and subdivision potential.

"It's three houses from the beach with stunning close ocean views," Sasha says.

She adds, "When you were looking at

the front of the house there was a driveway and carport to the big house at the front. Then there was a side driveway going down to the rear, where their grandma was living in the granny flat.

"When I drove past it I went, 'this is perfect (for subdivision) because the driveway's already there'. Normally you have to make access if you're subdividing."

The block was clear and level; the main house was a cream brick home about 30 or 35 years old and itself ripe for an update. The backyard pool was a bonus.

This was November 2005 and the list price for the property was \$1.5 million. Thanks to a history of renovation and investment, this was within Sasha and her partner's reach, especially once they factored in the subdivision.

When it comes to negotiation, Sasha says, "You have to play the game".

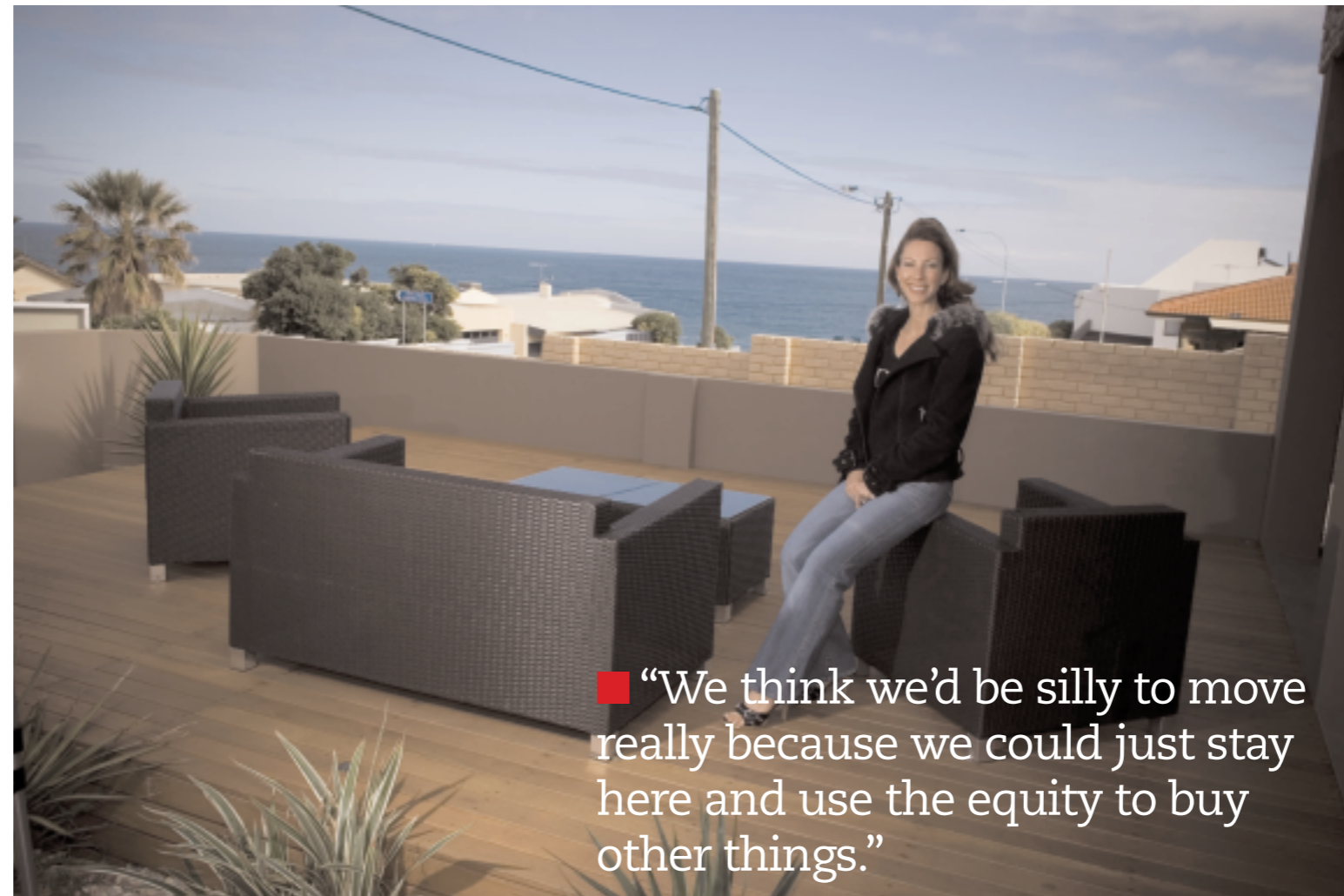
"I go quite low and get (the vendors) to show their cards first," she explains.

"When this property was listed at \$1.5 million, if I had have gone in at \$1.4 million they might have countered at 1.45. Because I went in at 1.35 they came straight back at 1.4, which I hadn't expected..."

"Because they came in so low – they dropped \$100,000 straight away – I knew where their cards were."

Sasha and her partner offered \$1.375 million and wrote 'final' on the offer so the owners would know it was "that price or nothing". It was a cash offer with just one condition – providing a surveyor and council gave preliminary approval to subdivide.

"I knew in my head I'd be able to subdivide it just because I've done lots before but I just wanted to (check) just in case council turned around and said there was a problem," Sasha says.



■ "We think we'd be silly to move really because we could just stay here and use the equity to buy other things."

Better safe than sorry, after all. The vendor was happy, Sasha says, because it was a cash offer with just 10 days to check on the subdivision matter. Sasha's surveyor gave the all-clear, and the deal was done.

Time to split

Sasha says previous subdivisions she's done have gone through as "survey-stratas" but when she put the application to council this time around, there was a catch.

"We got this list of conditions from the council, obviously all the standard things – connecting to underground power and connecting to the sewer – and then it said you've got to demolish all the outbuildings," she says.

"I rang up council and said, 'I don't want to demolish the rear buildings, somebody could get rent for that shed and somebody could get rent for the granny flat'."

ANNALESE FRANK

Sasha figured that whoever bought the block could get some money back to pay off their mortgage until they actually built on the land by renting out the granny flat. Council wasn't budging but suggested Sasha approach her surveyor about alternatives.

The surveyor advised that the plan should instead go in as a 'building strata'.

"It's virtually the same... It just means that there's an existing building rather than just a vacant block," Sasha says.

Once that change was made, the list of conditions suddenly got shorter and the buildings could stay.

"If you have a good surveyor they'll advise you and then you just have to get your case manager at council onside and push them a bit," Sasha advises for those dealing with their local bureaucrats.

"Any small problems can always be

sorted – there's always a way around it!"

With that positive attitude, the subdivision went through council; the original block was 1100 sqm and now each property was 550 sqm.

After holding the property for more than 12 months to minimise their capital gains tax, Sasha and her partner put the back block up for sale. It sold quickly and for a good price.

At this stage, the buyers are renting out the granny flat (just as well Sasha had the foresight to make sure the building could stay on the property), with plans to build a house in about five years.

The makeover

In the meantime, Sasha and her partner had moved into the house on the front of the block and transformed the house from a somewhat dated and impractical cream brick residence into

a "great family home" by the beach. It was a major renovation, involving not just replacing the kitchen and bathroom but shifting internal walls, rendering the outside and significant landscaping to enable the block to be split around the existing pool.

Sasha works from home in advertising sales and so a home office was one important consideration. Sasha and her partner have two children living at home and so decided to convert the entire top floor into a parents' retreat including the home study.

Sasha says the upstairs now has a "massive open-plan bedroom and lounge and home office – where I work enjoying the views – with an entire bedroom off this master room converted into a walk-in robe and ensuite".

"The entire upstairs is the parents' private quarters with panoramic views and high vaulted white wooden Cape Cod-style ceilings," she explains.

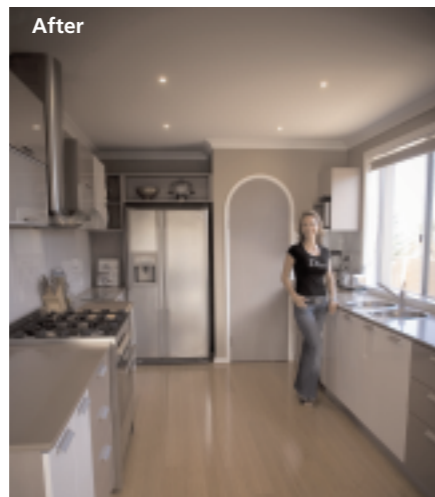
"The downstairs houses a home theatre, another home office – for my partner – then two lounge rooms, dining and kitchen, all with ocean views and views out to the pool and decking and contemporary garden. (Then there are) two children's rooms, bathroom and laundry and also a guest room at the front of the house away from the living areas with ocean views from their bed."

Despite the large-scale nature of the renovation, Sasha and her partner managed to pull it off in a matter of four weeks, thanks to Sasha's experience and project management skills.

They bought the property on a long settlement and Sasha was immediately on the phone to her regular contractors, booking them in so that the renovation could begin as soon as the keys were in her hand.

"Whenever I'm renovating, I'll always plan the settlement to be two or three months down the track so that I've got time to get the tradies in, get the quotes and book them in, because most of them are two or three months booked in advance."

During the settlement, she gets access so the tradies can give her



Besides, she says, “Buyers will spot poor quality or dodgy jobs.”

Eye for design

That’s not to say Sasha has no input into the renovation process. In fact, because she loved renovating so much Sasha completed an interior design course – not with the aim of running her own business in the field but just to hone her skills for her own projects.

“I had an eye for colour but (the course) taught me how to actually use complementary colours on opposites,” she says. The colours at the Waterman

house are “whites, lattes and chocolate”.

One interior design practice many investors could probably make their own is to use what are variously known as display boards, mood boards or story boards.

“It’s basically just a board with all your different

colours and samples – you’ve got your kitchens, you’ve got your floors, you’ve got your curtains, you’ve got your carpets,” Sasha explains. “You just stick them all on and it tells a story.”

“It’s just really good in terms of taking that around when you’re buying all your furniture and different pieces.”

Sasha says she usually has a vision for a property before she starts out but for those who might be looking at a blank canvas and aren’t sure where to start she suggests just building a design “story” step by step. For example, go to kitchen shops and seek advice before choosing your kitchen colours and materials. Then, take those samples to floor shops and ask what would match those kitchen choices. Then go to the curtain shop, and so on.

“(Investors) can actually use those swatches and use the people’s expert advice in those individual stores to put their story together if they don’t have the vision.”

Numbers game

Sasha says she always uses interest-only loans on her properties, largely because even when she’s buying a

house to live in she knows she’s not likely to stay there all that long.

“I’ve moved a lot from principal house to principal house to principal house because it’s tax free,” she says.

“As long as you’re keeping your investments rolling over then you shouldn’t need to worry about paying principal. It’s only really if you’re going to sit there long-term that you want to obviously pay principal.”

She adds, “I just always think pay the minimum amount, make your money in the renovation and then once you’ve sold it you move it into another one.”

This approach, of course, also helps with cash flow.

Another trick Sasha has learned in terms of financing is the use of deposit bonds to minimise interest costs when buying off the plan. A deposit bond substitutes for a cash deposit between signing contracts and settlement.

For the investor, they mean that instead of having to pay a large deposit on a property, you pay a fee to a company to provide your security. The full deposit plus the balance is then paid on settlement.

“You just pay a couple of grand or a few grand for a company basically to secure you, meaning that you don’t have to tie up that \$120,000 in deposit and for a year it’s doing nothing,” Sasha explains. “I can use that \$120,000 to put in an offset account against another property saving me interest. The couple of grand you pay for the deposit bond is

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all a tax deduction anyway.” She adds, “We can keep our cash where we want it, working off our interest, rather than just sitting it in someone else’s bank account where they’re earning interest for a couple of years while (the property is) being developed.”

Although there’s an upfront cost, the interest advantage can easily outweigh it, Sasha says.

In terms of the numbers on the Waterman property, the purchase price was \$1.375 million and the renovation and subdivision cost about \$250,000, bringing the total cost to \$1.625 million. Their renovated home has recently been valued at \$2.4 million, Sasha says.

Although Sasha and her partner don’t wish to disclose the sale price on the subdivided block, the figures clearly stack up in their favour, meaning they have created a great deal of equity in their beachside home in a short period of time courtesy of the renovation and subdivision.

“My philosophy now is because this house is such a good house and...

because of the profit we’ve made and the rise in the property market, to re-buy (a property like this) we’d have to spend millions more,” Sasha says.

“We think we’d be silly to move really because we could just stay here and use the equity to buy other things.”

Sasha and her partner now own a diversified portfolio of 20 properties.

“We now do a mix of renovating, buying off the plan and building single-storey homes in new areas aimed at the first homeowners market,” she says. “Having a diversified portfolio is fun and interesting and you learn about all the different ways of property development. I started in renovation only and stuck to that. If you have something that works, stick to it. But as you grow and learn, you gather the knowledge and confidence to mix it up.” ■

API Interactive

Do you have a question for Sasha? Email it to forum@apimagazine.com.au and we’ll do our best to publish the answer in a future issue of API.

quotes, then she calls them back to negotiate further on the price before booking them in.

“I say to them then, now you’ve got to be there on that date because I’ve got everyone lined up behind you.”

But Sasha doesn’t leave her project to chance, preferring to give her tradespeople a follow-up call a couple of weeks before they’re due to start and then another the day before they’re due on site, just to make sure they’re still locked in and ready.

“I do give them three or four phone calls and hassle them a bit but I’ve got a good relationship with them all,” Sasha says, adding that she’s learned from experience that if somebody doesn’t turn up, it just

means trying to reschedule all the other trades.

“That’s why I’m quite forceful with you’ve got to be here on time. And 99 per cent of them do.”

She adds, “It’s just project management and a matter of knowing what jobs need to be done in what process.”

Sasha says, “The interior renovation took four weeks. It was gutted in a day and was totally renovated from new ceilings, lighting, floors, kitchen, the works.

“My partner’s dad is a builder so he built the walls around the pool and front and rendered the entire place over a couple of months on the outside.”

Sasha says although her partner is an ex-carpenter, they prefer to leave the work to dedicated tradespeople.

“It’s faster and safer to get the professionals to do it,” she says. “You spend more initially rather than doing it yourself but you can often spend more money trying to do it yourself with costly mistakes if you don’t know what you’re doing. That way it gets done quickly, professionally and you increase your profits or value of the house faster as soon as it’s complete.”

SASHA’S TIPS

- Just get started. Don’t wait for tomorrow.
- Get the lowest price by negotiating hard.
- Follow the principles of location, negotiation, renovation and motivation.
- If you have something that works, stick to it.
- Try using a display board to tell the story of your renovation.

