

7 ways to maximise your property investment by refurbishment

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Refurbishment finance is a short term loan that is specifically designed to help fund renovation, remodelling, or restoration investment projects. This type of finance can be used to cover the cost of materials, labour, and other expenses associated with the refurbishment project. Refurbishment finance can be used for both residential and commercial properties and is often used to improve the energy efficiency, increase the property value or modernise the property.

As a general guideline, there are typically two types of property refurbishment loans. However, it's important to note that each lender may have their own specific criteria and requirements.

Light refurbishment

Light refurbishment refers to minor updates and improvements made to a property. This can include cosmetic changes such as redecorating or fitting a new kitchen or bathroom. Light refurbishment is typically less extensive and less costly than a full renovation, and is often carried out to improve the appearance and functionality of a property without making major structural changes. The goal of light refurbishment is usually to refresh the property and bring it up to a more modern standard, without significantly altering the layout or character of the space. A common use of light refurbishment is to make a property more energy efficient.

Heavy refurbishment:

This refers to making major structural changes to a property, costing more than 15% of the property value, such as adding an extension or removing interior walls. Using a refurbishment loan will support you with the project, but to make significant changes you could need planning permission or adhere to certain building regulations. .

If you are considering using refurbishment finance on your next project, here are seven ways to maximise your investment:

1. Understand the costs involved

Before applying for refurbishment finance, it's important to have a clear understanding of the costs involved in the project. This includes the cost of materials, labour, and any additional expenses that may arise during the renovation process. Speak to experienced tradesmen, quantity surveyors, architects, the more the better. This will help you to maximise your investment as you can decide where and what the finance should be spent on.

2. Create a detailed budget

Once you have a clear understanding of the costs involved, create a detailed budget that outlines all expenses and projected income. This will help you to stay on track and ensure that you have enough funds to complete the refurbishment project.

3. Research your contractor

It is important to work with reputable contractors to ensure that the refurbishment project is completed on time and within budget. Research different contractors in your area and choose one that has a good reputation and experience with similar projects. Make sure you are both clear about what you want done and what can be achieved. This will help you make the most of your investment and prevent any delays during the process.

4. Research different finance options

There are a variety of finance options available for refurbishment projects, including loans, grants, and equity funding. Speak to representatives of the lender or a broker to help you understand the best finance solution for you that suits your needs and budget. TAB is a lender that offers refurbishment finance with a LTGDV of up to 65% and no exit fees on refurbishment loans. Read more about TAB's [refurbishment finance](#) here.

5. Know what fees you need to pay

Some lenders will have additional charges that you will want to consider. For example, most lenders will charge arrangement fees, valuation and surveyor fees, some may charge exit fees. If you are

using a broker to organise your finance they might charge a fee as well.

6. Be prepared to receive the money in drawdowns

Similar to [development finance](#), funds will be provided to you in drawdowns, also known as tranches. These are funded in arrears in accordance with the budget. This means that once a part of the project has been completed, you can request the next tranche of funds, which will be assessed by the monitoring surveyor assigned to the project. This is so that the lender can monitor the progress of the project and reduce their risk.

7. Know your exit strategy

An exit strategy defines the plan that you intend to use to repay your loan. As this finance is fundamentally short term, it is important that you can demonstrate that you will be able to repay the funds to the lender at the time of redemption. Most lenders will not agree terms of a loan without knowing how they will get their money returned at redemption. Knowing that the borrower has a clear and realistic exit strategy can sometimes be more important in the application process than the borrower's credit history. Read more about what happens at the [end of a bridging loan](#) here.

Overall, refurbishment finance presents an opportunity to bring your investment property vision to life. With careful planning and the right resources, you can ensure that you have the necessary funds to complete your project with ease. By taking the time to understand your costs, create a comprehensive budget, explore your finance options, and collaborate with a trusted contractor, you will be able to make the most of your refurbishment finance and achieve the results you desire.

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