

## Case Study – Two-bedroom Terraced House Refurbishment

Merseyside



### Overview

This case study focuses on a two-bedroom terraced house acquired below market value, with the intention of converting it into a Buy-to-Let (BTL) property. The property required minor renovations, primarily cosmetic, alongside addressing minor damp issues. Key improvements included:

Installation of a new boiler.

- A modernised kitchen.
- New flooring throughout the property.
- Replastering and repainting of several walls.
- Replacement of sanitary items in the bathroom, including the bath, sink, and toilet.

The refurbishment was completed in just six weeks, and the property was tenanted within one week of being listed. Following refinancing, only £1,250 remained invested in the deal. The property achieved an ROI of 98%, based on the refinance alone.

This project offers an excellent opportunity for investors seeking a property with minimal maintenance and low vacancy rates. Based on recent market analysis and sales data, the property's value is estimated at £120,000, which is an increase of £15,000 over the post-refinance value of £105,000.

### Key Challenges

Although the challenges were limited, the primary concern was maintaining the budget. Projects of this nature can easily exceed initial cost estimates. However, leveraging a reliable supply chain and experienced workforce helped keep expenses under control.

One significant issue encountered was a collapsed ceiling in the kitchen, caused by a persistent and difficult-to-diagnose leak. The problem was ultimately resolved after replacing half the roof.

This case study demonstrates the potential for securing strong returns from well-managed refurbishment projects, even with modest initial investments.

## Project Breakdown

- **Property Type:** 2 Bedroom Terraced House
- **Acquisition Price:** £62,000
  - **Deposit Required (25%):** £15,500
  - **Stamp Duty, Bridge interest and Legals:** £7,000
- **Bridging Loan:** £46,500
- **Refurbishment Costs:** £11,000
- **Total Capital Investment:** £33,500 (Deposit, Stamp, Bridge, Legals and Refurbishment Cost)

**Post-Refurbishment Value:** £105,000

- **Total Refinance (LTV at 75%):** £78,750
  - Repayment of Bridging Loan: £46,500
  - Repayment of Capital Investment: £33,500
  - Money left in the deal: -£1,250
- **Projected Rental Income:** £775/month
- **Project Duration:** 6 Weeks

## Return on Investment (ROI)

- **Post-Refurbishment Value (Property Value):** £105,000
- **Total Refinance (LTV at 75%):** £78,750
- **Total Capital Investment (incl. Bridging Loan):** £80,000
- **Return on Investment:**  $ROI = (78,750/80,000) = 98\%$  (based on refinance alone). The remaining money left in of £1,250 would be repaid back after four months.

## Gross Rental Yield Calculation

- **Post-Refurbishment Value (Property Value):** £105,000
- **Monthly Rental Income:** £775
- **Annual Rental Income:**  $£775 \times 12 = £9,300$
- **Gross Rental Yield Calculation:**  $GRY = (£9,300/£105,000) \times 100 = 8.9\%$