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Jeff Reed:

How I created \$387k equity in 9 months

Home renovator Jeff Reed has upgraded many houses, but when he decided to spruce up his 125-year-old investment property in East York, Toronto, he knew he had a big job. Nine months and a whole lot of blood, sweat and tears later, he's added more than \$300,000 value – and he's gearing up for his next property adventure. Sarah Megginson reports

If we could jump in a time machine and travel back to the late 1800s, we would find a decent amount of construction activity happening in the small, central township of East York, Toronto.

“It was a time when Toronto was expanding, and East York absorbed some of that development,” explains Jeff Reed, a builder and renovator with experience of over two decades working on homes in the Toronto area.

If the timing is right during our journey back to the past, we may witness a quirky traditional custom. Back in the day, it was standard practice for the lady of the house to contribute her finest pair of shoes to construction of the family residence. Her heels were to be placed between the walls of the house, a ritual that was considered to officially transform a house into a “home.”

And with this custom, in 1895, 147 Wheeler Avenue, East York, came to life. It originated as a bungalow in the beaches, designed as a small, family cottage home near the water.

In the decades that have passed since, the property has been called home by dozens of families, and has had an extra level added: in the 1920s, nearby Norway Avenue was elevated, which required all of the homes in the local area to be raised to a higher elevation.



The brand new kitchen of a transformed old house

“As a result, the little bungalow by the beach was transformed into a two-storey home,” Jeff explains.

“It remained largely untouched for the better part of the century and as the house settled into the sandy beach, vines grew over the exterior façade.”

Fast forward to 2011 and East York, a thriving metropolis, was home to around

110,000 families and young professionals (2006 Census). Enter Jeff, a licensed journeyman carpenter who has logged over 7,200 hours in formal carpentry apprenticeship training, and who spends his days buying, renovating and selling homes for profit.

He's on a mission to restore and renovate Toronto's old, run-down homes to their



VITAL STATS

Purchase price: \$387,500

Purchase date: October 2011

Renovation budget: \$225,000

Actual renovation costs: \$225,000

Appraisal: \$890,000

Current value: \$1 million

Equity created: \$387,500

Current rental yield potential: \$7,000/month

former glory, which is what led him toward Wheeler Street, after he spotted the gem of a property languishing in the MLS classifieds. It was a run-down house that no one really wanted to touch, but Jeff had bold ambitions to turn it into the jewel of the street.

From worst in the street, to best on the block

Since launching his construction and renovation business Priorities Management Pty Ltd in 2009, Jeff has managed dozens of renovation projects – but none have been quite as special as this.

“I usually buy decrepit houses and typically we do renovations between \$200,000 and \$250,000. For this project, our budget was \$225,000 and we didn’t go a dollar over,” Jeff explains.

“This one is different in that it was actually liveable, and even a little renovated. For

“It remained largely untouched for the better part of the century and as the house settled into the beach, vines grew over the façade”

instance, all of the hardwood floors had been replaced.”

Still, they had a big job ahead of them. Jeff has learnt from experience that when embarking on a high-end renovation at this scale, it pays to be extensive.

“We used to do perhaps half the house, and eventually we’d end up doing the wiring and updating the utilities in the rest of the house, and we’d have to rip everything up to get inside the walls. So we’ve found that the best move is to walk in and gut the home 100% and rebuild from scratch.”

And so it began. The property had been lived in for over a century, with several ad hoc additions and renovations commissioned along the way. After demolishing and digging through stud walls and plaster walls to gut the home down to the bare basics, Jeff and his team made a surprising discovery: beautiful brick walls that had stood the test of time to remain in tip-top condition.



AFTER A CENTURY, THIS
GEM'S CHARMS ARE
BROUGHT BACK TO LIFE BY
JEFF'S MAGIC



JEFF'S QUICK TIPS FOR RENOVATORS:

1. Find a niche. "It's a very competitive market right now," he says. "Doing comprehensive renovations of \$200,000-plus, we find we have a small pool of competitors, but other markets can be oversaturated."

2. Have a back-up plan. Holding costs can kill your project's profitability, so plan for every possible outcome. For instance, when Jeff listed this property for sale at the conclusion of his renovation, a buyer didn't emerge right away, so he rented the home out to a short-term tenant for two months.

3. Be flexible. Jeff initially had plans to add a full third storey to the property, but due to a neighbour's objection, they had to settle for a half-storey addition and an outdoor deck. "It's one of the most desirable areas of the house, so even though it was a compromise, it worked out for the best in the end."

4. Look for creative financing options. "I'm always on the lookout for private money partnerships to finance my projects – for instance, if someone lends me \$200,000, I'll pay 10% interest and give them back \$220,000 in 12 months' time," he says. "It's more than they'll get at the bank; 10% is a really good return these days, and it gives me some good cash flow to finance my renovations."



“When we found the exposed brick, that changed our design decisions a little and we decided to embrace it in our plans,” he says.

There were a few other issues that forced Jeff to deviate from his initial design layout. For instance, he initially wanted to add a basement.

“We were going to add another level down there, but there’s actually an underground river that goes under the house, and that prevented us from building down,” he says.

Ever ready to roll with the punches, Jeff realized that if you can’t build down, you build up. He intended to add an entire third level to the home but once again, he had to change direction after consulting with a neighbour.

“One of the neighbours wasn’t happy with us doing that, as he felt it would obstruct his view from his bedroom. So we had to play around with design and only add half a storey, instead of a full second floor,” Jeff explains.

“We maximized the length of the third floor in a way that wouldn’t obstruct his view or sunlight, and by doing this, we ended up with a huge 24 x 14-foot master bedroom with an ensuite. We also created a 250 sq. ft. cedar deck on the rest of the floor, which most people say ends up being the standout feature of the whole home.”

While all of this was going on, Jeff led a team of eager renovators through the process of managing a renovation from start to finish, marking the launch of his first mentoring class.

“I realized long ago that there was no real education for people in Ontario to manage contractors and to get the results they wanted – they would work with people with no contract and no purpose, and then they’d be disappointed when things didn’t work out,” he says.

“So I thought, why not educate the real estate investor on how to manage trades? It’s an in-depth course that runs for six months, or the full duration of a renovation project, and we meet once every two weeks to talk about everything from how to analyse the market and shop for the property, to close out, sell or refinance. I’m quite proud because I had 13 students and while the course was on, they were \$1 million worth of reno projects of their own.”

Getting his priorities straight

Jeff and his crew spent a solid six months toiling away on this project, resulting in a

The bathroom, the new stairs and the house during renovations. After demolishing and digging through stud walls and plaster walls, the renovators discovered beautiful brick walls in top condition



beautifully designed, three-bedroom, three-bathroom residence.

Would-be buyers can find similar high-end features in brand new properties, but they'd be hard pressed finding another home in the area with plentiful features, a modern sense of style and a century-old history, all rolled into one.

"This house could have been torn down and built anew, but so much of its unique story would have been lost [as a result]," Jeff says.

True to custom, the property did have a pair of tailored leather shoes sandwiched between the walls at one point. "We did a



Jeff and his team of renovators

making the money that I should have been making, because I wasn't working as efficiently or effectively as I wanted to," he explains.

"I had 17 jobs on the go, from early stage through to invoice to actually running the work, and I thought, 'how can this possibly be effective?'"

Jeff journeyed to Australia and took eight weeks off to relax at Bondi Beach to think about what he really wanted to achieve and to work on his business plan. While many people are looking for ways to expand and grow their business, Jeff was thinking of ways to strip back his life and make it less complicated.

"I thought about what am I all about and what's important to me. And I thought, 'all my life, I've wanted to do one house at a time and really do it right'. I figured I'd have to lay off a couple of employees and lean things down, so I didn't feel like I had the pressure of taking on jobs so I could get work for my employees all the time," he says.

"So I came back and that's what I did. I laid off two guys and stripped everything back. I now take on two jobs a year with a renovation budget of \$200,000–\$250,000 each time; I know that I can deconstruct anything and rebuild it within six months. I can still afford the same lifestyle and friends tell me I'm less stressed, plus I can squeeze in the odd game of golf in, too. My priorities going forward are to spend a good month or two a year on a boat." ■

He's receiving
rent of \$7,000
per month from
a tenant who
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in a nearby
neighbourhood



Well-heeled: It was custom for the lady of the house to place her best shoes between the walls of a new house. Jeff found this pair while renovating

little research and they're believed to have belonged to the wife of the home's original builder," Jeff adds.

And now, there's nothing left for him to do but find the property's new owner and move on to the next project. In the meantime, he's receiving rent of \$7,000 per month from a tenant who is renovating her own home in a nearby upscale neighbourhood.

"The mortgage repayments are around \$3,300, so it's great cash flow," he says.

There was a time when Jeff would have been juggling his next renovator – or even the next dozen – all at once, while finishing this project and planning ahead for future prospects, but he says he does things differently these days.

"I had a wake up call a few years ago; I was running around like crazy, but I wasn't



Old is gold: The restored kitchen