

Learning Objectives

- Identify which renovations generate the highest ROI for coliving properties
- Create a detailed renovation budget with appropriate contingency reserves
- Understand permit requirements and when they apply to your project
- Evaluate when to DIY vs. hire contractors and how to manage them effectively
- Plan coliving-specific upgrades: bathroom additions, bedroom conversions, lock systems, and water heater sizing
- Build a renovation timeline that minimizes vacancy and holding costs

The Renovation Mindset for Coliving

Renovating a coliving property is fundamentally different from a traditional flip or rental rehab. You are not renovating to impress a single buyer or a single family. You are optimizing for **multiple independent adults** who each need privacy, functionality, and comfort in a shared environment.

Every dollar you spend should pass a simple test: **Does this renovation increase rent, reduce vacancy, or lower maintenance costs?** If it does not clearly do one of those three things, question whether it belongs in your budget.

KEY INSIGHT

The most profitable coliving renovations are not the flashiest. Adding a bathroom, converting a dining room into a bedroom, or installing individual room locks can generate far more return than a high-end kitchen remodel. Think revenue per square foot, not curb appeal.

ROI-Focused Renovations: What Adds Value vs. What Wastes Money

High-ROI Renovations for Coliving

These renovations directly increase your revenue, reduce vacancy, or protect your asset. Prioritize them first.

RENOVATION	TYPICAL COST	MONTHLY REVENUE IMPACT	PAYBACK PERIOD
Add a bathroom	\$8,000 - \$15,000	+\$200 - \$400/room	12 - 24 months
Convert common area to bedroom	\$2,000 - \$5,000	+\$600 - \$1,000/room	2 - 6 months
Individual room locks (smart locks)	\$150 - \$300/door	+\$50 - \$100/room	2 - 4 months
Water heater upgrade (tankless/larger)	\$2,000 - \$5,000	Reduces complaints/turnover	6 - 12 months
Fresh paint + LVP flooring	\$3,000 - \$8,000	+\$50 - \$100/room	4 - 10 months
Furnishing (bed, desk, dresser)	\$800 - \$1,500/room	+\$150 - \$300/room	3 - 6 months

Low-ROI Renovations (Often Wasted Money)

These look nice but rarely generate enough additional rent to justify the cost in a coliving context.

- **High-end kitchen remodel (\$20K+):** Tenants share the kitchen. A clean, functional kitchen with durable appliances is enough. Granite countertops do not justify higher room rents.
- **Luxury landscaping (\$5K+):** Basic curb appeal matters, but elaborate landscaping goes unnoticed by room renters and creates ongoing maintenance costs.
- **Custom built-ins and architectural details:** These get damaged in high-turnover environments. Spend on durable, replaceable items instead.
- **Pool installation or renovation (\$15K+):** Massive liability, insurance increase, and maintenance burden. Remove or fill them in most cases.
- **Full basement finishing to luxury standards:** Finish it functionally for bedrooms if permitted, but do not over-improve underground space.

THE OVER-IMPROVEMENT TRAP

New investors often renovate to their personal taste rather than to the market. A coliving property does not need to look like a magazine spread. It needs to be **clean, durable, functional, and comfortable**. Every dollar of over-improvement is a dollar that never comes back.

Renovation Tiers: Match the Scope to the Deal

Not every property needs the same level of renovation. Match your scope to the property condition, your budget, and your timeline.

Tier 1: Light Renovation (\$5,000 - \$15,000)

Timeline: 1 - 3 weeks | **Best for:** Move-in ready properties that need cosmetic updates

Typical Scope

- Fresh paint throughout (neutral tones: gray, white, greige)
- Deep cleaning and minor repairs
- Install smart locks on bedroom doors
- Replace outdated light fixtures
- Minor kitchen/bath updates (hardware, faucets, caulking)
- Furnish bedrooms with basic furniture packages

WHEN TO CHOOSE TIER 1

The property is structurally sound with updated mechanicals. The layout already supports coliving (enough bedrooms and bathrooms). You want to get tenants in fast and start generating income within a month of closing.

Tier 2: Moderate Renovation (\$15,000 - \$40,000)

Timeline: 3 - 8 weeks | **Best for:** Properties that need layout changes or system updates

Typical Scope

- Everything in Tier 1, plus:
- Add 1 bathroom (converting closet, laundry, or underused space)
- Convert 1-2 common areas into bedrooms (dining room, den, office)
- Replace flooring throughout (LVP recommended for durability)
- Upgrade water heater to accommodate more tenants
- Update electrical panel if needed for added circuits
- Replace aging appliances
- Full furnishing of all bedrooms and common areas

WHEN TO CHOOSE TIER 2

The house has good bones but the layout is not optimized for coliving. You see opportunities to add a bedroom or bathroom that will significantly increase revenue. Systems work but some are aging and should be proactively replaced.

Tier 3: Heavy Renovation (\$40,000+)

Timeline: 2 - 4 months | **Best for:** Distressed properties with significant value-add potential

Typical Scope

- Everything in Tiers 1 and 2, plus:
- Add 2+ bathrooms
- Major layout reconfiguration (moving walls, adding rooms)
- Full kitchen renovation (functional, durable focus)
- Roof, HVAC, plumbing, or electrical replacement
- Foundation or structural repairs
- Exterior work: siding, windows, deck repair
- Potentially converting garage, attic, or basement to living space

WHEN TO CHOOSE TIER 3

You are buying significantly below market value due to property condition. The BRRRR strategy (buy, renovate, rent, refinance, repeat) makes sense here because the after-repair value will be substantially higher. You have financing in place that covers renovation costs (hard money, construction loan, or private money).

PRO TIP: START WITH TIER 1 OR 2

For your first coliving property, stick with Light or Moderate renovations. Heavy renovations require more experience, deeper pockets, and longer timelines. Get a few properties under your belt before taking on a gut rehab.

Coliving-Specific Renovations

Adding Bathrooms

This is often the single highest-ROI renovation for coliving. The general rule: aim for a ratio of no more than **2 tenants per bathroom**. Every bathroom you add above this ratio allows you to charge more per room and reduces tenant complaints.

- **Cheapest option:** Convert a large closet or laundry alcove near existing plumbing. Adding a half-bath near existing water lines can cost as little as \$4,000 - \$6,000.
- **Mid-range option:** Build a full bathroom in an underused space (large hallway, portion of a bedroom, utility room). \$8,000 - \$12,000 depending on distance from plumbing stack.
- **Expensive option:** Add an en-suite bathroom to a bedroom, requiring new plumbing runs. \$12,000 - \$18,000 but allows premium room pricing.

PLUMBING PROXIMITY RULE

The cost of adding a bathroom is primarily driven by distance to existing plumbing. Stack bathrooms above or beside existing ones when possible. Every foot of new drain line adds cost and complexity. Talk to a plumber before committing to a bathroom location.

Bedroom Conversions

Adding bedrooms is how you increase your rent roll without buying a bigger property. Common conversion candidates:

- **Formal dining room:** Often the easiest conversion. Add a wall and door. Cost: \$1,500 - \$3,000. Check that the room has a window (required for egress) and meets minimum square footage for your jurisdiction (typically 70 sq ft minimum).
- **Den or office:** Usually already has a door and closet. May just need a lock upgrade. Cost: \$200 - \$500.
- **Basement rooms:** Can be converted if they meet code: egress window required, minimum ceiling height (typically 7 feet), and proper lighting/ventilation. Cost: \$3,000 - \$8,000 per room including egress window installation.
- **Garage conversion:** High potential but high cost. Requires insulation, flooring, HVAC, egress, and permits. Cost: \$10,000 - \$25,000. Check local zoning first.

EGRESS REQUIREMENTS

Every bedroom **MUST** have an egress window or door. This is a life-safety requirement, not optional. Typical egress window minimum: 5.7 sq ft opening, 24 inches minimum height, 20 inches minimum width, sill no higher than 44 inches from the floor. Check your local building code as requirements vary.

Lock Systems

Individual room locks are non-negotiable for coliving. Tenants need to feel secure in their private space.

- **Smart locks (recommended):** Keypad or app-controlled. Change codes between tenants without rekeying. Brands to consider: Schlage Encode, August, Yale Assure. Cost: \$150 - \$300 per door.
- **Keyed entry knobs:** Budget option at \$25 - \$50 per door, but you will need to rekey between tenants. Not recommended for high-turnover properties.
- **Front door smart lock:** Install one for the main entry as well. This lets you manage access for all tenants and provide temporary codes for showings. Cost: \$200 - \$350.

Water Heater Upgrades

One of the most overlooked systems in coliving. A standard 40-gallon tank cannot support 5+ adults taking morning showers. Plan for approximately **15 - 20 gallons of hot water per person per day**.

- **Tank upgrade:** Replace a 40-gallon with a 75 or 80-gallon tank. Cost: \$1,500 - \$2,500 installed. Simple and reliable.

- **Tankless (on-demand):** Provides unlimited hot water. Higher upfront cost (\$3,000 - \$5,000 installed) but lower operating costs and longer lifespan. Requires proper gas line sizing or electrical capacity.
- **Dual tank setup:** Install two 40-gallon tanks in series. Cost: \$2,000 - \$3,500. Good when space or gas line capacity limits a single large unit.

DIY vs. Hiring Contractors

One of the biggest decisions in your renovation is what you do yourself versus what you pay someone to do. The right answer depends on your skills, your time, and the complexity of the work.

DIY-Friendly Tasks

- Painting (interior walls, ceilings, trim)
- Installing LVP/laminate flooring
- Demolition and debris removal
- Installing smart locks and hardware
- Basic landscaping and cleanup
- Assembling and placing furniture
- Replacing light fixtures (with power off)
- Caulking, patching, minor drywall repair

Savings potential: 40 - 60% on labor for these tasks

Hire a Professional

- Plumbing (new lines, bathroom additions)
- Electrical panel upgrades, new circuits
- HVAC installation or replacement
- Structural work (removing walls, foundation)
- Roofing
- Gas line work
- Anything requiring a permit and inspection
- Work above one story / significant height

Why: Safety, code compliance, warranty, and liability

THE TRUE COST OF DIY

DIY saves money only if your time has no opportunity cost. If spending a weekend painting saves \$1,500 but delays your lease-up by a week, you may lose more in rent than you saved. Calculate the cost of vacancy when deciding what to DIY: **Daily holding cost = (Mortgage + Insurance + Taxes + Utilities) / 30**. If your daily holding cost is \$80 and DIY adds 14 days to your timeline, that is \$1,120 in extra holding costs.

Contractor Management

Even experienced investors struggle with contractors. Here is a system to minimize problems.

Finding Good Contractors

- **Get 3 bids minimum** for any job over \$2,000
- **Ask other local investors** for referrals. Investor-friendly contractors understand timelines and budgets.
- **Check references:** Call the last 3 clients. Ask about timeline, budget, and communication.
- **Verify licensing and insurance:** Ask for a Certificate of Insurance (COI) and verify their license with your state.

The Contractor Agreement

Never start work on a handshake. Every project over \$1,000 needs a written agreement covering:

1. **Detailed scope of work:** Exactly what is included and what is not
2. **Total price and payment schedule:** Never pay more than 30% upfront.
Tie payments to completed milestones.
3. **Start and completion dates:** Include a per-day penalty for going over the deadline (e.g., \$100/day)
4. **Materials specification:** Who buys materials? What quality level?
5. **Change order process:** How are additional costs handled? Require written approval for anything beyond the original scope.
6. **Warranty:** Minimum 1-year workmanship warranty

PAYMENT SCHEDULE EXAMPLE (\$20,000 JOB)

Milestone 1 - Start of work: \$4,000 (20%) upon signed contract and materials delivery

Milestone 2 - Rough-in complete: \$6,000 (30%) after plumbing/ electrical rough-in passes inspection

Milestone 3 - Substantial completion: \$6,000 (30%) when work is 90% done

Milestone 4 - Final completion: \$4,000 (20%) after punch list is complete and final inspection passes

Managing the Project

- **Visit the site daily** during active work, or have someone check in for you
- **Take photos** of every stage, especially before walls close up (document plumbing, electrical, insulation)
- **Communicate in writing:** Use text or email for all change orders and decisions so there is a record
- **Hold the final 10 - 20%** of payment until you are fully satisfied with the work and all punch list items are resolved

Permits: When You Need Them

Permit requirements vary by city and county, but here are the general rules. When in doubt, call your local building department.

WORK TYPE	PERMIT USUALLY REQUIRED?	NOTES
Paint, flooring, fixtures	No	Cosmetic work is generally permit-free
Adding/removing walls	Yes	Especially load-bearing walls. Structural engineer may be needed.
New bathroom	Yes	Plumbing and possibly electrical permits required
Electrical work (new circuits, panel)	Yes	Most jurisdictions require a licensed electrician to pull permit
Plumbing (new lines, water heater)	Yes	Moving or adding plumbing almost always requires a permit
HVAC replacement	Yes	Like-for-like replacement may be exempt in some areas
Window/door changes	Usually yes	Especially if changing size or adding new openings
Bedroom conversion	Varies	Adding a wall usually requires a permit. Must meet egress and minimum size requirements.
Roofing	Yes	Most jurisdictions require permit for re-roofing

DO NOT SKIP PERMITS

Unpermitted work can result in fines, forced removal of the work, problems with insurance claims, and issues when you sell or refinance. It can also create liability if a tenant is injured due to non-code-compliant work. The cost of a permit (\$100 - \$500 for most residential work) is trivial compared to the risk of skipping it.

Building Your Renovation Budget

A good renovation budget is built from the bottom up, not the top down. Walk the property with your contractor(s), price out every line item, then add contingency.

The Budget Framework

1. **Walk the property and create a detailed scope:** Room by room, system by system. Write down everything that needs to be done.
2. **Get itemized bids:** Never accept a single lump-sum number. You need to see the cost of each line item so you can cut scope if needed.
3. **Add 15% contingency:** This is non-negotiable. There will be surprises behind walls, under floors, and in attics. If you do not use the contingency, great, it becomes profit.
4. **Include soft costs:** Permits, dumpster rental, temporary utilities, storage, insurance during renovation.
5. **Factor in holding costs:** Every month the property is under renovation is a month of mortgage, insurance, and taxes with no income.

SAMPLE BUDGET: 5-BEDROOM COLIVING CONVERSION (MODERATE RENOVATION)

Paint (whole house): \$3,500

LVP Flooring (1,200 sq ft): \$4,800

Add 1 full bathroom: \$10,000

Convert dining room to bedroom: \$2,500

Smart locks (6 doors): \$1,200

Water heater upgrade (tankless): \$3,500

Kitchen update (appliances, hardware): \$2,500

Electrical (add circuits, update panel): \$2,000

Furnishing (6 bedrooms + common): \$7,500

Permits and fees: \$800

Dumpster and cleanup: \$700

Subtotal: \$39,000

Contingency (15%): \$5,850

Total Budget: \$44,850

Renovation Timeline Planning

Time is money, literally. Every day your property sits empty during renovation, you are paying holding costs with no income. A well-planned timeline keeps the project on track.

Sequencing Your Renovation

Work must happen in the right order. Here is the standard sequence:

1. **Week 1 - Demo and cleanup:** Remove what is not staying. Clean out the property.
2. **Week 2-3 - Rough mechanicals:** Plumbing rough-in, electrical rough-in, HVAC rough-in. Schedule inspections.
3. **Week 3-4 - Framing and drywall:** Build new walls, close up walls after inspection.
4. **Week 4-5 - Finish work:** Flooring, paint, tile, trim, cabinets.
5. **Week 5-6 - Fixtures and finishes:** Install toilets, sinks, light fixtures, hardware, appliances.
6. **Week 6 - Final touches:** Punch list, deep clean, furnishing, photography, listing.

OVERLAP WHEN POSSIBLE

While the plumber is working in the bathroom, your painter can be working in the bedrooms. Schedule trades to work simultaneously in different areas of the house. This can cut your timeline by 30 - 40%. Create a simple Gantt chart or calendar to coordinate.

Common Causes of Delays

- **Waiting for permits/inspections:** Apply for permits immediately after closing. Some jurisdictions take 2 - 4 weeks.
- **Material delays:** Order specialty items (vanities, tankless water heaters, custom doors) early. Do not wait until the installer is ready.
- **Scope creep:** Resist adding work mid-project. Every addition delays the timeline and increases the budget.
- **Contractor no-shows:** Have backup contractors identified before you start. If your primary flakes, you need someone else fast.

Action Steps

1. **Walk your target property** room by room and create a complete renovation scope list
2. **Determine your renovation tier** (Light, Moderate, or Heavy) based on the property condition and your budget
3. **Get 3 contractor bids** for any work you cannot do yourself
4. **Check local permit requirements** for your planned work by calling the building department
5. **Complete the Renovation Budget Planner** to organize costs, track spending, and manage your project
6. **Build your renovation timeline** working backward from your target lease-up date

Key Takeaways

- **Renovate for revenue, not vanity** -- every dollar should increase rent, reduce vacancy, or lower maintenance
- **Adding bathrooms and bedrooms** are the two highest-ROI renovations for coliving properties
- **Always include a 15% contingency** -- there will be surprises, and running out of budget mid-project is devastating
- **Never start work without a written contractor agreement** covering scope, price, schedule, and payment milestones
- **Do not skip permits** -- the cost is minimal and the risk of unpermitted work is enormous
- **Time is money:** minimize your renovation timeline to reduce holding costs and start generating income faster

Your Deliverable

Build your detailed renovation budget and track costs as work progresses.