Residential

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RESIDENTIAL

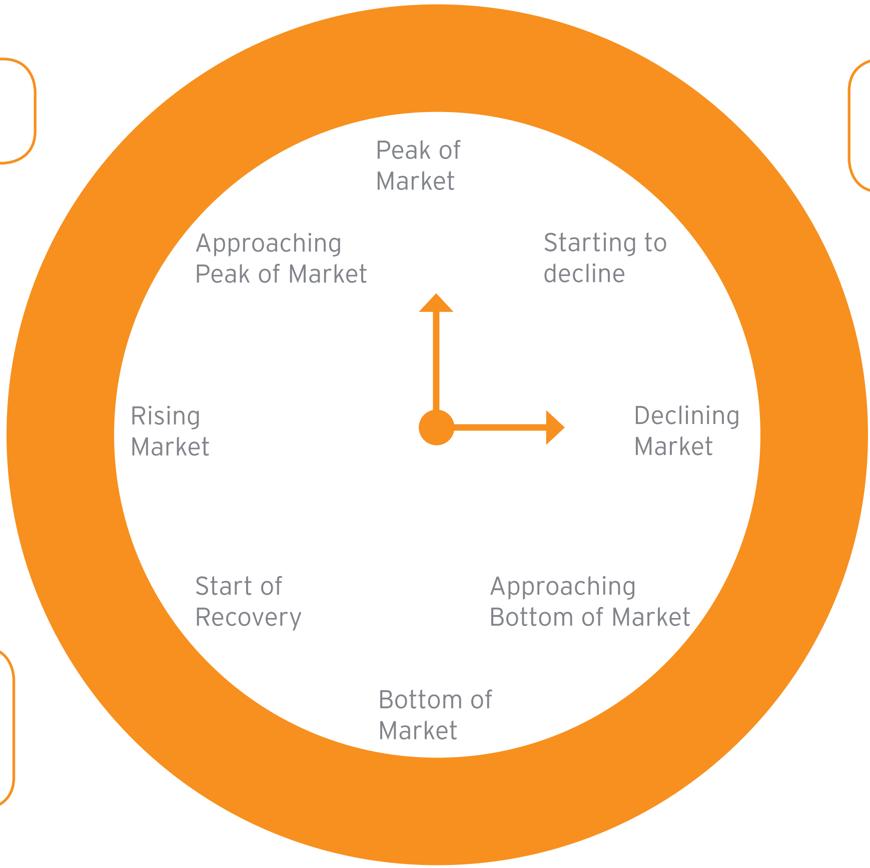
National Property Clock
October 2018
Houses

- Coffs Harbour
- Gippsland
- Mid North Coast
- Newcastle

- Dubbo
- Hobart
- Sunshine Coast

- Bendigo
- Central Coast
- Gold Coast
- Melbourne
- South East NSW

- Adelaide
- Adelaide Hills
- Albury
- Ballarat
- Barossa Valley
- Brisbane
- Burnie-Devonport
- Canberra
- Echuca
- Iron Triangle
- Launceston
- Lismore
- Mildura
- Mount Gambier
- Tamworth



- Illawarra
- Sydney

- Cairns
- Emerald
- Gladstone
- Hervey Bay
- Ipswich
- Mackay
- Townsville

- Alice Springs
- Bundaberg
- Darwin
- Perth
- Rockhampton
- South West WA
- Toowoomba

Entries coloured orange indicate positional change from last month.

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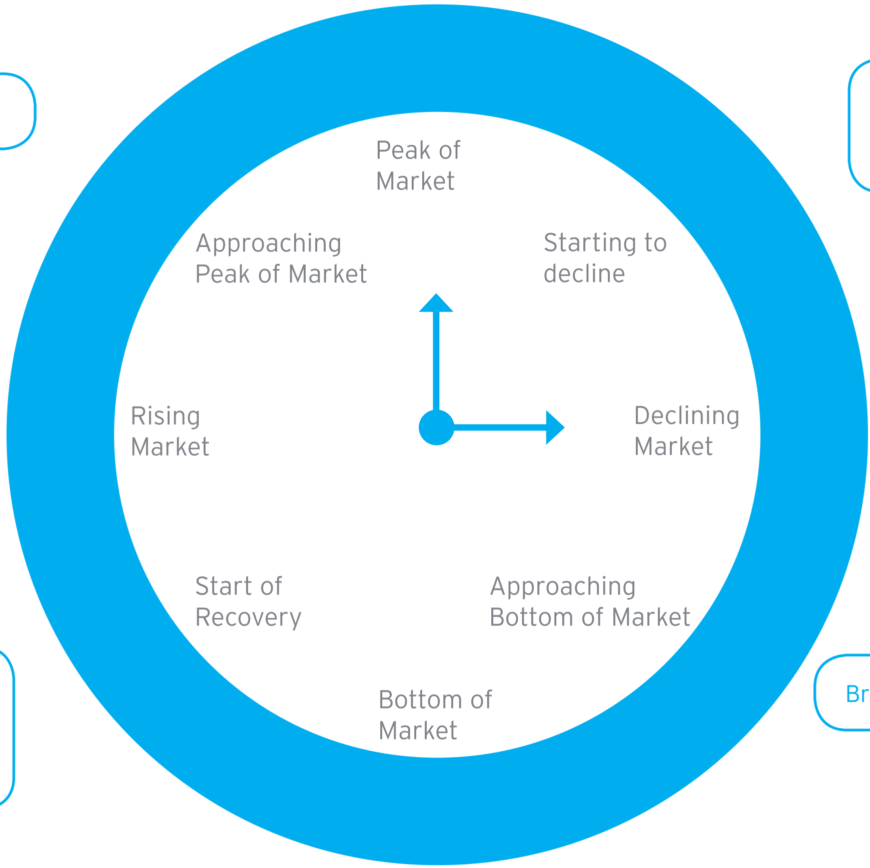
National Property Clock
October 2018
Units



Coffs Harbour
Mid North Coast
Newcastle

Bendigo...

Bendigo
Central Coast
Gold Coast
Melbourne
South East NSW

Canberra
Darwin
Illawarra
Sydney

Brisbane
Perth

Adelaide
Adelaide Hills
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Emerald
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Gladstone
Hervey Bay
Ipswich
Mildura
Townsville

Albury
Ballarat
Burnie-Devon-port
Echuca
Launceston
Lismore
Mount Gambier
Sunshine Coast
Tamworth

Dubbo
Hobart

Entries coloured blue indicate positional change from last month.

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HERRON TODD WHITE RESIDENTIAL

New South Wales

Overview

New construction and extensive renovation are a mainstay in our established residential suburbs. For investors and homeowners who want to stay ahead of price rises, it's important to spot addresses where action is on the rise. When streets are undergoing a lot of build activity, value gains are likely to follow.

This month, our teams let you know where money is being spent on bricks and mortar.

Sydney

Sydney has been a hot spot for renovators over the past several years which is largely due to high demand levels, low interest rates and record capital growth in underlying value levels. While we have seen this renovation trend booming across most property types and locations throughout Sydney, we are now starting to see some property types, price points and locations reacting differently to the changing markets and property cycle.

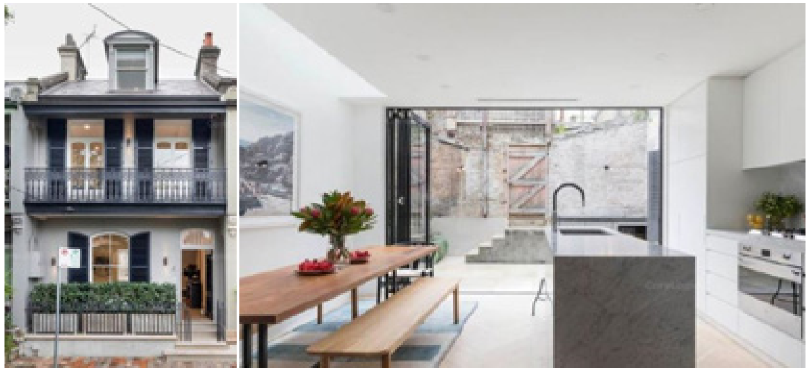
City Fringe and Inner West/East

It appears that renovation and construction have been on the rise over the past year or two within inner Sydney. Generally additions or extensive renovations are more popular on the inner eastern side of town (Darlinghurst, Paddington, Surry Hills), often with significant architectural prowess. As inner Sydney is an expensive area, renovations or additions would be more appealing to some than the costs and hassle of moving.

On the inner western side of town, whilst renovations and additions are still common around the very inner areas (Newtown, Camperdown, Glebe, Chippendale) as you get further out to Leichhardt, Lilyfield and Strathfield, knockdown and rebuilds are more common due to larger blocks, fewer heritage restrictions and better accessibility (from a materials perspective.)

Darlinghurst has seen quite a few well renovated homes sell recently. Darlinghurst neighbours the superior suburbs of Paddington to the east and Potts Point to the north, with inferior Woolloomooloo to the north-west and slightly inferior Surry Hills to the south.

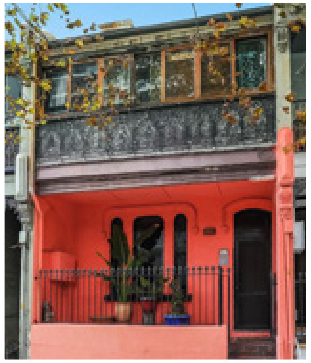
BEFORE: 4 Thomson St, Darlinghurst *(Source: CoreLogic)*

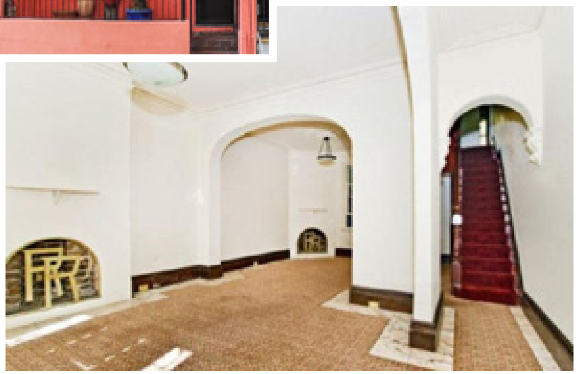


AFTER: 4 Thomson St, Darlinghurst *(Source: CoreLogic)*

A recent example of a well renovated home is 4 Thomson Street, Darlinghurst which sold in original condition for $1.4 million in July 2015 and after being fully renovated, sold again for more than double in June 2018 for $2.9 million. While this represents a very strong increase, it needs to be noted that this time period also had the benefit of record capital growth regardless of renovations.

In the inner city, some of the easiest ways to add value would be to utilise rear lane access for parking or add an attic level bedroom or en suite. Wide terraces or detached dwellings (where available) are preferred. Given that these areas are quite expensive, a typical buy-in price point could be something similar to 43 Craigend Street, Darlinghurst (below) which sold for $1.85 million in May 2018.





43 Craigend St, Darlinghurst *(Source: realestate.com.au)*

This is an original terrace in close proximity to a busy road.

Many areas of inner city Sydney are heritage conservation precincts, meaning that the façade is not able to be altered and most additions are required to be unobtrusive.

Some of the suburban community facilities and infrastructure helping drive construction in these established areas include the light rail construction in the CBD/Surry Hills, gentrification of Kings Cross and surrounding areas and proximity to the CBD which generally facilitates good work and family life balance.

East

The south-eastern Sydney property market along the eastern beaches of Little Bay, Chifley, Malabar and Matraville has seen a surge in duplex developments over the past 12 to 24 months. Typically these suburbs offer good proximity to the Sydney CBD, beaches, schools and shopping centres and are relatively affordable in comparison to the more northern areas of the eastern beaches such as Coogee, Bronte and Bondi.

These suburbs are characterised by houses built in the 1940s to 1970s on large blocks of land of typically 550 to 650 square metres with reasonable frontages which make good duplex sites. These sites are often bought by developers and subdivided by

23 Meehan St, Matraville *(Source: realestate.com.au)*

means of Company Title due to the local council not allowing subdivision of lots unless you have a very large block and frontage.

Company Title duplexes range in price depending on location, quality of finishes and land size. Recent sales have ranged between approximately $1.6 million and $2.3 million. An example is 23 Meehan Street, Matraville which recently transacted for $2.325 million (pictured).

Buyers see these types of properties as a low maintenance option and relatively affordable in comparison to other alternatives within the eastern suburbs. Duplexes can also be more appealing given that they are modern and offer an alternative to buying an older property and having to renovate.

Renovation of higher end or prestige homes is somewhat different given that owners generally carry out these works and hold the property rather than selling once complete. The time frame of new construction or large renovations of prestige properties impacts this segment given the construction time on these properties can be two years plus. Newly renovated or constructed homes that do go to market are still seeing reasonable demand for this reason given that purchasers don't want to wait or go through this lengthy process.

North and South

Curl Curl has seen a recent influx of high quality renovations and knock down rebuilds. The area is popular with prospective buyers due to its beachside lifestyle, affordability (in comparison to neighbouring suburbs such as Freshwater), and it being a traditional low density residential suburb.

The blocks are relatively large and level, and in many cases, first floor additions will incorporate district and ocean views. The existing houses are also generally easier to reconfigure as the suburb comprises typically 1950s and 1960s style brick or clad housing, which is often much less challenging to renovate than a Federation style house from both a council approval and construction perspective.

Blocks are generally 400 to 500 square metres in size and cost around the $1.8 million to $2 million mark. Construction of an architecturally designed residence could result in around a $3.5 million to $4 million finished product.

A recent example of a high end, 4-bedroom, 3-bathroom architectural house is 4A Adina Road, Curl Curl which sold for $3.8 million in August 2018 (pictured).

4A Adina Road, Curl Curl *(Source: realestate.com.au)*

More recently, the Sutherland Shire and St George regions in the southern suburbs of Sydney are generally seeing less renovation works being carried out in order to flip for a profit. This appears to be on the back of slowing market conditions in the past few months which can make it more difficult to achieve reasonable profit margins. In saying that, there is still a healthy level of renovation taking place as growing families look to recreate living spaces or make more room for an ageing relative (or a child who won't leave home). The lower end buy-in price points for these markets could include older style units below $600,000 or original basic dwellings under $1 million, depending on location.

West

In the western suburbs, house flippers often take on the form of small scale tradesmen as a side project. They look to take advantage of their own skills and contacts within the building industry to minimise costs and maximise profits that can be made in a relatively short time frame. This market is also driven by investors looking for above average rental returns, home owners trying to achieve additional income or accommodation for an extended family. A method of achieving this is by way of granny flat construction. Western Sydney can provide more options for first home buyers looking to renovate or rebuild given the broader range of affordable properties, growing population and extensive infrastructure projects currently underway (such as WestConnex and Western Sydney Airport).

As capital values level off throughout Sydney, we may see an increase in home owners turning to renovation as a means of increasing the value of their asset. Home renovations have always been viewed as a means to increase the value of your home, however in recent years a fast moving Sydney market has fuelled rapid growth in capital value levels. Whilst renovations and extensions come at a cost, home owners have many years of strong capital growth with which to leverage borrowed funds if required.

Another consideration for whether to renovate an existing property is the exit and entry costs associated with selling and buying property in Sydney. Growing families are often faced with the choice of selling and upsizing their family home or potentially extending and renovating. Exit costs are one consideration, with other factors such as existing location and surrounding infrastructure such as public transport and local schools.

Renovations in recent years have generally paid off and minor mistakes or budget blowouts have been somewhat mitigated by the increasing capital values of property throughout Sydney. While we expect to see home renovations continuing at steady levels, a weakening market tends to result in more conservative attitudes in relation to making a quick profit on the back of real estate.

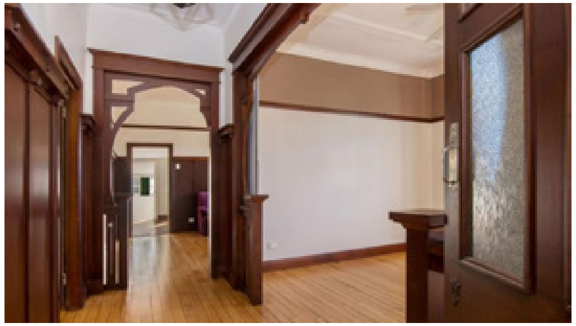
Lismore / Casino / Kyogle

Within the regional city of Lismore and the surrounding established rural townships of Kyogle and Casino, there is no one definitive area that is suitable for renovation or major renewal.

In fact, such opportunities can exist throughout the area, providing the cost/benefit analysis is worth the investment.

That being said, it's been noted over the past ten years that a certain heritage influenced suburb in Lismore City has provided good examples of renovating for added value. The suburb of Girards Hill holds a unique standing within Lismore City as it is primarily the favourite haunt of prospective purchasers looking for the heritage factor. Not only is it within close proximity of Lismore CBD (under one kilometre), the plethora of tired, older style homes over the years has benefited from the elbow grease of the various tradespersons and painter's brush and roller to provide fully renovated, timber clad character homes by simply enhancing those typical features of the pre-war homestead or Federation style residence (such as high timber lined ceilings and walls, polished timber floors, timber fret work, ornate plaster and pressed metal ceilings, picture rails and, if fortunate enough to have, lead light windows. It is also important that the process of renovating the kitchen and bathrooms is in keeping with the overall ambience of the house. For example, a free standing, claw foot bath/shower is a key identifier.

(Source: realestate.com.au)



(Source: realestate.com.au)

Residential

(Source: realestate.com.au)

(Source: realestate.com.au)

Most of this work is generally carried out for the benefit of the owner-occupier. Typically, unrenovated two and three-bedroom timber homes in Girards Hill would be attracting prices from $250,000 to $350,000 whilst the extensively renovated homes could reach the heights of $500,000 to $600,000 depending on land, dwelling size and position (flood free sites especially). Better quality renovations can be of a very high and appealing standard.

A key point to remember in this particular suburb is to adhere to the Heritage Conservation rules for the local area. This is there for a reason and is generally accepted by home owners who have a liking for the heritage features and like these to be protected.

In other suburbs, the trend for the majority of renovation works are carried out for the benefit of the owner-occupier with any thought of potential capital gain a secondary consideration to the immediate enjoyment of the property upon its completion.

Yes…there are renovation projects available for investors throughout Lismore City, Casino and Kyogle. However, most of these are heavily dependent upon securing property which is needing some TLC and having a realistic repair or renovation budget in mind. A lot of these rub and buff projects are taken on with a view to buy and hold and increase the rental return…hopefully.

The notion of house flippers operating in Lismore, Casino and Kyogle is generally limited as any potential gain is unlikely to be overly significant in such a short time frame, unless of course a real bargain can be snapped up, and only the most savvy and equipped investors would capture those well before the general public hears about them.

Looking into the future, how will this method of property investment and owner occupier acquisition play out? Well.... a dog house is always a prospective palace in the eyes of its owner. The opportunities are there, you just need to sniff them out.

Ballina and Byron

There continues to be renovation, renewal and gentrification activity occurring within established residential areas of Ballina and in particular the Ballina Island and East Ballina precincts. This is due to requirements from both owner-occupiers and also from potential buyers, and there remains good demand for quality renovated product.

However, the majority of new development within the Ballina Shire is occurring in housing estates such

(Source: realestate.com.au)


(Source: realestate.com.au)


(Source: realestate.com.au)


(Source: realestate.com.au)

as Epiq at Lennox Head, Ferngrove and Riveroaks at Ballina, Ballina Heights at Cumbalum and the new estates located to the north-west fringe of Wollongbar.

It is interesting to note that over the past five years, we have seen a significant increase in construction of self-contained flats and second dwellings of house lots, both in established residential areas and also in new housing estates.

The increased construction of self-contained flats and second dwellings can be attributed to the strong rental demand across the Ballina Shire coupled with the fact that there remains limited one and two-bedroom residential units being constructed within established suburbs. Subsequently properties which possess rear lane access and allow approval and construction of second dwellings in established residential localities have become more sought after.

In the Byron Shire, home renovation and new construction in established areas are on the rise. We see the renovation aspect of this market evident in all suburbs within this locality. An example is Suffolk Park, where homes built in the 1960s and 1970s are being extended and externally remodelled to a more contemporary design.

This is also evident in the township of Mullumbimby, where 1930 to 1940 built homes are being updated to compete with new builds occurring in the fringe Tuckeroo Estate.

The majority of buyer types in this market within the Byron Shire are more of the owner-occupier variety rather than house flippers or spec builders. The suburb where they would achieve the most profit is isolated to that of Byron Bay. Buyers have been capitalising on the increased margin of the price point buy in for this particular coastal resort town.

There has also been an increase in the number of sales as well as price point within the prestige residential market for centrally located properties in close proximity to the Byron Bay CBD, beach and facilities. The increased sales activity in the $2 to $4 million price bracket for standard residential property has been occurring since 2014. There is generally strong demand for Federation style dwellings which have been renovated to a very good standard and offer the owner a high quality of fitout that is also appealing to the holiday market.

Evidence of first home buyers wanting to make quick equity can be seen in suburbs such as Ocean Shores within the price-points of $750,000 to $850,000. Other strategies for first home owners have been trending in the purchase of land, where dual occupancy is created, divided and sold.

Upgraders who want to stay put but need more space for a growing family are taking advantage of creating detached granny flats. This extra space caters for older kids who may still be at home saving for a deposit of their own, or for an ageing relative.

The buy-in price points for homes with upgrade potential in the below mentioned suburbs are as follows:

- Ocean Shores - $750,000 to $850,000
- Byron Bay - $1 million to $1.5 million
- Lennox Head - $800,000 to $950,000

The suburban infrastructure that helps drive construction within these established areas include the proximity to local airports (both the Ballina/ Byron Bay Gateway Airport and the Gold Coast Airport). This has seen an increase in interstate

(Source: realestate.com.au)

(Source: realestate.com.au)

buyers taking advantage of the versatility of living locally and in either Sydney or Melbourne to cater for their fly-in, fly-out occupations.

Home renovation and new construction in established areas do have some guidelines and limitations. The biggest limitation we see home buyers face in the Byron Shire is the restriction on secondary dwelling sizes. Where there are dual occupancies on one title in one line, the secondary dwelling must not exceed a total floor area of 60 square metres.

There are changes in the town planning process that are encouraging new construction. The biggest change is seen in the reduced minimum lot sizes. Vacant land was once sold with an average land area of 700 to 800 square metres, however with each new estate that has been developed, we have seen a reduction to 450 to 500 square metre blocks being sold.

The market of home renovation and new construction within the Byron Shire may track a little differently in the future. The cost of building is rising at such a rate that it may have an effect on those speculating to be a part of this market. Even now we are seeing vacant land blocks within new estates being resold at a much higher price-point, which may affect the home buyer's decision about what they can afford to build.

The Clarence Valley

As a consequence of the upward trend in the Clarence Valley property market, consumer confidence remains high. This is particularly evident in established localities where renovation and extension projects are prominent. Given the age of existing dwellings in townships such as Maclean and Grafton (where the majority of homes were constructed from roughly 1920 to 1960), restorative or rejuvenation projects are due. The relatively low median values in these areas compared to Yamba and other nearby beachside or major localities ensures that purchasers (whether investors or intending owner-occupiers) are able to purchase existing dwellings in fair condition and expand or improve dwellings.

Essentially, with ageing and original dwellings freely available on the market, purchasers are snapping up these opportunities. This is evidenced by the extremely limited stock available under $350,000 or $400,000, i.e. properties in fair condition are so highly sought after that they are rarely put to market and when they are, there is such a broad interest or buyer base that often bidding wars or the like ensue.

While the Clarence Valley property market is still receiving a boost from the Pacific Highway upgrade and the new Grafton Jail and remains supported by the school and retail facilities that have long driven construction, it is likely that the above trends will continue into the near future.

(Source: realestate.com.au)

(Source: realestate.com.au)

Coffs Harbour

Coffs Harbour has seen no real trends in the number of suburbs with large amounts of stock being renovated. However, the majority of suburbs were established between 20 and 50 years ago and are at an age when renovations are now beneficial.

On average most dwellings have a 40 year life span before there is the requirement for a major upgrade work or demolish and re-build (depending on location and land value). Typically, around the ten to 20-year mark, tastes and trends change and most home owners will undertake cosmetic renovations of the service areas such as bathrooms, kitchen, floor coverings and painting. The properties that attract renovators are ones with redeeming character features or proximity to services, schools and beaches with views or large land area.

We are seeing an increase in people renovating to add value (equity) to their investment. This is particularly the case for owners splitting homes into dual accommodation for increased rental returns. For example, 20 to 40 year old two storey homes with three bedrooms and one bathroom to the upper level plus rumpus and bathroom to the lower level are often converted into one-bedroom flats under with individual entry and car accommodation. The existing home may rent for $450 per week, however, once you split it into two, the market rental increases to top level $350 to $400 per week and the lower level $250 to 300 per week, making a potential return in the order of $600 to $700 per week. General cost to convert is between $30,000 and $60,000.

Traditionally, renovations do not add dollar-for-dollar value. Typically, renovation results in half to three-quarters added value of cost, especially when undertaking larger value extensions where the cost to demolish and rebuild is considerably higher than the cost to build the home from scratch. Often in this scenario it is more beneficial to totally demolish and start again from the slab foundation.

The added value of cosmetic renovation work can reap more added value benefit, especially if the owner is prepared to do some work themselves.

To avoid overcapitalisation, you must first understand the value of the home upon completion of the renovation work and where that value sits in the market place. This largely depends on when the home was purchased and what value level in that locality is too high for the market to pay (i.e. a best home in the worst street scenario). If you are in an area which supports a price point of $350,000 to $600,000 and you purchased the property for $450,000 and plan to spend $250,000 (total $700,000), then you are overcapitalising in the short term.

The older established beach side locations such as Sawtell and The Jetty precinct are two areas where the land value has risen to a point that the choice is primarily to redevelop rather than spend big dollars on renovating or extending.

Whilst the renovator market continues to march on, the new dwelling market has definitely spiked upward within the last two to three years. We have seen land values increase significantly mainly due to limited supply and continuing demand. As an example, North Sapphire Beach and Korora Beach estates saw initial land sales in the $250,000 market for 500 to 600 square metre lots two years ago. These are now selling for $350,000 plus with buyers lined up for any new releases or re-sales.

In turn, this demand has seen a construction boom in these new estates which has increased building costs as tradies and builders become scarce and overrun with work. The more suburban estates within Coffs Harbour, Sandy Beach, Woolgoolga and Bonville, have experienced similar increases in land values over the past two years, initially selling in the $150,000 to $200,000 price range and now achieving $250,000 to $300,000.

On the back of this increased demand and land/construction prices, we have seen the entry point for first home buyers raised from $400,000 to $450,000 to now be $500,000 to $550,000. The upgrader and young professionals looking for a modern home in the beach side estates see entry levels at the $675,000 to $700,000 mark with average prices in the $750,000 to $800,000 range.

Where do we see this going in the future? It is simple - supply versus demand! As there is a distinct lack of vacant land available within the region, the new home will continue to see upward pressure on land values and build cost as there seems to be an insatiable appetite for new, which is in some ways a reflection of today's society.

The renovators will always have a place in the market as I believe the best locations are already established with the older homes crying out for upgrade and as underlying land values increase, the experienced renovator can reap the rewards.

Mid North Coast

Location!!! It seems to be an important factor when buying a residential dwelling.

In the major regional centre of Port Macquarie, modernisation of older dwellings has increased over the years especially in areas within walking distance of the beach, CBD or that have good ocean or coastline views.

Location is also the most important factor in the other coastal towns and villages along the mid north coast, with a locality adjoining the beach being most popular.

In Port Macquarie, areas such as Settlement Point, Shelly Beach, Bellevue Hill, Transit Hill and Lighthouse are all areas that have seen major renovation and modernisation of existing dwellings.

The benefit of purchasing these dwellings is of course the location, the view or a combination of both. These types of dwellings have tended to continue to show growth when others in the new outer fringe subdivisions have started to stabilise. The one catch with these dwellings is the type of renovation completed, the flow of the dwelling and the workmanship. Badly renovated dwellings can be identified quickly and often display market resistance, maybe more than if left in their existing condition.

The outer areas mainly consist of new subdivisions and currently provide the purchaser with options of buying an existing near new dwelling or building their own, whereas the areas of modernisation mentioned above have limited stock available and the only choice may be to purchase a renovated dwelling or one in original condition.

One of the main concerns with renovation is the unknown factor. Unlike greenfield sites, existing homes may have undue construction issues that were missed prior to commencing any renovation work, adding more expense than may have been anticipated. Very few vacant parcels of land are available in these areas and over the past twelve months, we have seen residential properties subdivide excess land and include existing site improvements such as in ground pools. These blocks have been sold at a premium price, again due to the location.

Whilst the market is stabilising overall, good quality properties in the above-mentioned locations are still selling for near asking price and have continued to trend upwards, just at a slower pace than previously felt. Buyers looking at purchasing a renovated house within a good area need to ensure they do their due diligence on the property prior to purchasing to assess the condition and workmanship of the property.

Central Coast

It's no surprise that the real estate market has peaked and the time has arrived to prepare for the next phase. At this stage of the property clock, we would expect to see an emerging increase of owners electing to stay put and improve, renovate or extend their existing property rather than sell and buy again.

We've grown accustomed to news of record prices, sale volumes and auction prices, but when putting some perspective to what has actually been happening, we were somewhat surprised to see that while all the attention has been directed at the record prices etc, it seems that all along the number of improvers, renovators and extenders have been fairly stable across the central coast region. Our records show that valuations undertaken for extensions and renovations on behalf of lenders have been fairly constant over the past year during the latter part of the bullish market we just have experienced.

We would ordinarily expect an increase in the number of additions and renovations following the market peaking as the availability of funds becomes tighter, interest rates increase and the lead in to market values levels out and eventually falls.

Our records indicate that funds for extensions and renovations, whether for second storey additions, rear or side additions, internal renovations or swimming pools, have remained quite static. And there doesn't seem to be any spikes in activity in any particular suburb.

Some would argue this is contrary to the path of previous cycles - and they may be correct, but we need to wait for the economic data to be published once it has been captured and analysed.

What we do know is that the latest strong market period lasted much longer and was less frenetic, indicating that whilst some were pushing the urgency button to get into the market, others were more deliberate in their decision making and taking the staying put and renovating option rather than racing into selling up and entering into a new and perhaps bigger mortgage.

This may well prove a good decision as tighter lending policies bite. Already we are seeing that many borrowers are essentially locked in with their mortgagees due to the inability to switch lenders as the new, tighter lending rules will now preclude them from accessing the same level of funding.

While it can be considered in the extensions and renovations area, we are still seeing a number of new granny flats or second dwellings being constructed. This activity is generally carried out under the complying development facility. These are an affordable means of increasing rental income and value. Within the central coast region, they have proven particularly popular on the Peninsula areas that include Umina Beach, Woy Woy and Ettalong Beach. Of course there are examples of this type of development occurring elsewhere on the coast, but it is by far most popular on the Peninsula.

We also think the Peninsula has seen the highest proportion of buy, renovate and sell activity over recent times with million dollar plus sales becoming the norm. In our discussions with local agents and verified by details shown in sale contracts that come across our desks, the vast majority of sellers and buyers in the house flipper market are coming from Sydney, where we expect they have been priced out.

Some see the Peninsula as becoming an extension of Sydney and we have noticed that with the influx of Sydney buyers, many locals smirk at the prices being paid, while the Sydney buyers also smirk at the bargains they are getting compared to what they see in the Sydney market.

But at this time, the Peninsula is a market where activity has slowed considerably.

Newcastle

The home renovation trend is well and truly underway in Newcastle, prime evidence being the difficulty in getting a car park in Bunnings on a weekend. In our opinion, it's getting harder and harder to find the fixer upper in the marketplace for competitive prices. Many vendors seem to factor in some of the anticipated uplift in value post renovation and prior to actual sale without having done the work, trying to pre-bank the potential. One of the bedrock planks in a good deal is to leave a little something in it for the next person. Pay it forward so to speak. At this point in the cycle, many vendors fail to remember this.

Houses in great spots with good bones would be the holy grail for fixer uppers and their ilk. Generally, if we look for the worst house in the best street, the vendor will often get dollar signs in their eyes and raise the price accordingly, so it's often worth looking a little outside the norm to find the deals truly worth undertaking.

We do get concerned however when completing valuations and looking at the numbers some renovators are working from. It's often worth doing your budget and calculations a little more thoroughly than most purchasers do when considering the renovation for profit route. When we complete these valuations, there's very little real profit when you consider all the transaction costs, statutory costs, holding costs, physical costs and exit costs. Often only a few of these have been considered and a few key ones are left out, transaction costs and holding costs being two of the largest trip hazards that when actually realised often leave a much smaller profit than considered. First time renovators are often caught out in this. The plethora of renovation shows on TV is likely largely to blame, a bit like Masterchef being a main culprit in the rise of self-absorbed and tedious home chefs and restaurant critics. These shows generally gloss over the reality parts of renovation and shoot straight for the glamorous bits, such as wrangling tradies and picking fabrics.

If you are renovating your own home however and don't plan to make profit from it, then it's largely hard to go too far wrong. In fact, it's often the smart way to upgrade your accommodation. Many people are faced with the renovate our existing home or buy a new home conundrum. When you factor in the transaction costs associated with buying and selling a dwelling, you can often be $50,000 to $75,000 in front right out of the gate if you keep your existing home and extend or renovate. $75,000 buys you a lot of bling for your kitchen or bathroom.

Southern Highlands

With the last Council LEP release in June 2010 expanding the R2 (Low Density Residential) zone and dropping minimum land size in those precincts across the region, the majority of infill development across the townships close to infrastructure services, predominantly Bowral, Mittagong and Moss Vale, have already been sought out and completed. Typically those infill developments comprised land subdivisions on bigger town blocks, historically comprising up to 4,000 square metres and on the whole completion of sympathetic renovation or extension of the original residence, with complementary construction of new dwellings in keeping with the immediate vicinity. As such there are limited opportunities available.

The last three decades have seen some improvements to road and rail infrastructure, which has brought the Highlands closer to Sydney. Families from Sydney together with recent retirees continue to discover the Southern Highlands region as an affordable lifestyle change with properties located close to retail, medical, school and transport infrastructure as an attractive alternative to an increasingly congested urban existence. The challenge as always will be getting the balance right between development and provision of social infrastructure to cope with current and future resident growth, with the region being identified as a priority growth area by the New South Wales government.

The most active price point for the renovator wanting to make a quick profit continues to be in the $750,000 to $1 million band, particularly older style properties within established areas. Some recent sales include:

- 3 Alice Street, Mittagong - $985,000
- 16 Osborne Road, Burradoo - $940,000
- 129 Old Hume Highway, Mittagong - $820,000

There are also isolated opportunities available for first home buyers at a more realistic entry point of $500,000, comprising late 1950s or early 1960s built dwellings on smaller blocks of land across Bowral, Mittagong and Moss Vale, primarily located within the original social housing precincts in those townships.

Examples of recent sales in this sector include:

- 8 Garrett Street, Moss Vale - $510,000
- 19 Sedgam Avenue, Mittagong - $490,500
- 38 Sheaffe Street, Bowral - $490,000

Finally as to prospects, there has been emerging market chatter about lenders further tightening lending criteria and increases in interest rates. Whilst this will have a cooling effect on the rate of sales in the market, we don't anticipate any material market adjustments across the established townships in close proximity to established infrastructure.

Illawarra

Significant recent growth in the residential property market through the Illawarra has created plenty of equity in properties. The rise in land values is allowing property owners to spend larger amounts on either new builds or substantial extensions or renovations of older style dwellings.

Transitioning Illawarra suburbs such as Towradgi, Fairy Meadow, Mangerton, Shellharbour and Kiama are great examples where residential recreations are taking place. The eastern pocket of Fairy Meadow has evolved considerably and it appears this will continue.

Wollongong City Council's Development Application Register shows that since 2016, twelve properties on Storey Street in Fairy Meadow have lodged development applications for either demolition and construction of a new dwelling or alterations and additions of an existing dwelling. This is a high number in a street of approximately 80 homes.

There seems to be a mix of home owners undertaking these works. Some have recently bought in these areas and are straight away recreating whilst others have lived in the original dwelling for a number of years before using the equity they have gained to further develop the property.

In future years, we look forward to seeing how changes to state wide planning laws will affect the more established suburban locations in the Illawarra with greater infill housing expected.

Central North NSW and Victoria

Shepparton

There has been some activity in recent times within the inner ring of Shepparton. The lush tree lined streets of Maude, Corio and Orr Streets are brimming with construction activity with some major renovation works as well as some knock down and rebuilds. These areas are highly sought after and consistently deliver growth regardless of the performance of the wider Goulburn Valley property market due to the character appeal, proximity to the CBD and the overall amenity that the area offers.

These properties are typically purchased by the more discerning buyer who is happy to pay the premium that the address commands, with any renovation works undertaken being a high end finish and looking to preserve and restore the character features that the area is known for. These properties are also the type that do not change hands frequently, with many of the residents choosing to stay put for a number of decades.

If past performance is a good indicator of future trends, properties within the Shepparton inner ring will continue to deliver for those in the advantageous position of owning one of these homes.

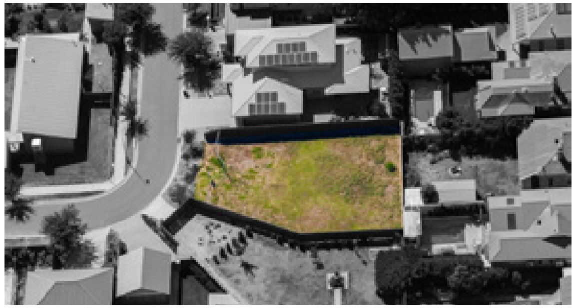
Albury

The Albury property market has a diverse range of property stock available, however when it comes to renovations or new homes on reclaimed or knock down projects, the profile of the homes and the renovators narrows considerably. Character dwellings in central locations top the list. There are a limited amount of properties in this segment and over capitalising is a low risk if design and quality are prioritised and the budget (as well as patience level) is considerable. Most of the reputable master builders (required for substantial and authentic renovation to older dwellings) have waiting lists of up to two to three years, so don't expect heavy discounting in this area. Central Albury, North Albury and old East Albury hold the majority of the character dwelling stock, so a street without the tell tale tradie dual cab bottleneck is rare in these areas.

The other housing stock being revamped includes stock from the 1980s through to the early 2000s, where we might be more likely to find updating of kitchen, bathrooms and laundries rather than additions, which would probably not increase equity. The other major additions in the more modern homes include the highly coveted shed (aka man cave) or a swimming pool, an improvement home owners accept does not add value but Albury has hot summers and it is a popular lifestyle choice. The older parts of Thurgoona, new East Albury and parts of Hamilton Valley are refresh locations.

In regard to building a new home in an established suburb, there is very little vacant land in the established areas, so land is at a premium as are the finished new product built on the land in established areas.

For example, 25 Maryland Way, Central Albury (500 square metres) sold for $435,000 on 13 June 2018 and 614 Sackville Street, Central Albury (1,195 square metres) sold for $390,000 on 2 January 2017 and is currently listed at $430,000.



25 Maryland Way, Central Albury *(Source: realestate.com.au)*

Knock downs are not very common but certainly popular when brought to the market either as potential vacant land or when complete with a new modern home.

Residential

426 David Street, Albury sold for $855,000 on 6 June 2018 - a 4-bedroom, 3-bathroom, 4-car garage modern dwelling on 512 square metres.

Overall in Albury, property owners appear to renovate due to the desirability of the location or improvement of the dwelling type. It is not for the faint hearted. Demand for trades is high as are the build contracts we see for renovations and the availability of new land and house packages offer a substantial range of options. The uplift from renovating and flipping also seems to be dictated by the people with the skill sets for renovating, i.e. builders or other tradespeople who are able to take advantage of the cost savings.

Victoria

Melbourne

Whether to renovate or demolish can be a difficult decision to make. You might love the area, you're close to family and friends and the market is heating up, so moving is out of the question. You might be left with two concrete options: renovate or demolish and rebuild. Before making a decision there are a few factors you might want to contemplate.

Eastern Suburbs

Home owners in the eastern suburbs have shown a predilection for demolition and renovation projects in bringing their tired old brick dwellings to a more modern and spacious accommodation with 4 to 5 bedrooms, en suite bathrooms and walk-in robes.

These projects can be a great alternative to paying the significant transaction costs of buying another house, however it's not for everyone.

It may be a valuable option for those who bought some time ago and whose property's value has increased, but it may not be such a good option for those who bought only a couple of years ago, as the property will likely have only shown moderate capital growth.

A property in Blackburn North was bought for $1.26 million in 2016. The owners decided not to knock

Wilton street, Blackburn North
(Source: CoreLogic)

down and rebuild but to renovate and extend the house for $692,000, making the base capital outlay $1.952 million, however the current median price for a four-bedroom property in Blackburn North is $1.2875 million (realestate.com Sept 2018).

A second property, 44 Hedderwick Street, Balwyn North, was purchased in 2012 for $761,500. After an extensive knock down and rebuild, the five-bedroom, three-bathroom dwelling with swimming pool and tennis court sold in April 2018 for $3.43 million.

While renovation shows such as The Block have Australians dreaming of flipping properties and

44 Hedderwick Street, Balwyn North *(Source: CoreLogic)*

cashing in, doing so in a short time frame can be risky for a major renovation. If the focus is on cosmetic changes such as a new kitchen, bathroom, laundry, painting, floorboards, window furnishings, etc., the risks are not so great.

Inner and Outer North

Richmond, Brunswick, Collingwood, Abbotsford and Preston are prime areas for investors or owner occupiers planning to purchase circa 1890 to 1920 Victorian property with the sole purpose of renovating and enhancing overall equity or lifestyle.

The number of renovations of property within the inner northern suburbs is increasing as single and family homeowners do not want to move further north to obtain additional bedrooms and bathrooms and investors are picking up on this trend.

The property 46 Mary Street, Richmond was purchased in December 2012 for $641,000 and sold in March 2018 for $1.755 million. Taking into account rough building costs of similar properties within the area (ranging from $500,000 to $700,000) and

2012 2018

46 Mary Street, Richmond *(Source: CoreLogic)*

392 Barkly Street, Brunswick *(Source: CoreLogic)*

potential heritage building conditions, it would still result in a substantial profit in a short to medium period of time.

Median house prices in Brunswick and Abbotsford are $1.1625 million and $1.2925 million respectively (REIV). Having the opportunity to purchase double fronted dwellings on medium sized blocks around this price, such as 392 Barkly Street, Brunswick, can provide great potential for investors or owner-occupiers.

Inner and Outer South East

Established suburbs such as Bentleigh East have seen a substantial increase in the construction of semi-detached townhouses. These builds appeal to families looking for low maintenance properties

14A Claronga Street Bentleigh East. *(Source: Buxton)*

within commuting distance of the city. They also allow families to get into this coveted market without the substantial price tag.

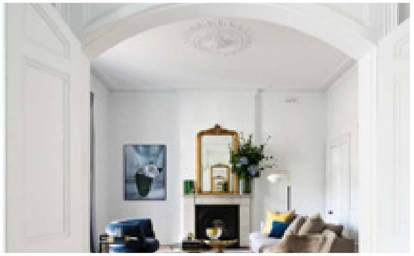
In the Frankston City area there has been a significant increase in battle-axe block subdivisions. This is also evident in areas such as Somerville and Hastings where vacant land is limited and long-term residents are looking to pay off their mortgage or fund their retirement by undertaking such a subdivision. Many first home buyers are also buying into these more established areas, choosing to renovate and breathe new life into brick veneer dwellings that were built in the 1970s and 1980s.

Many councils such as Mornington Shire have had restrictions on lot sizes for many years (minimum lot

18A Tavistock Road Frankston South. *(Source: Eview)*

size is currently 650 square metres), in order to keep areas of the Mornington Peninsula protected from excessive development. However as the population has grown, they are now considering amending the planning scheme and reducing the minimum lot size to 300 square metres. Changes are yet to be approved.

Homeowners who can't afford to relocate are instead choosing to renovate or extend their existing dwellings, particularly in areas such as Aspendale and Mordialloc, where homes were built with solid foundations but over time have become dated and in need of a revamp. They are also close to the beach and amenities, a luxury which homeowners would be sacrificing if they built in a growth zone.



Today's owner-occupiers and investors are seeking homes with the latest features such as CCTV security systems, smart lighting and wiring, video intercom, and refrigerated or evaporative cooling. They want turnkey properties, so if a vendor wants to get the best possible return, properties must contain all the modern conveniences.

CBD

Melbourne's CBD property market is relatively new with few apartments in need of major renovations. Further out of the city core in East Melbourne there is some activity in the renovation space with notable high-end properties receiving facelifts.

Clark House. *(Source: Domain)*

The 1860s Clark House was remodelled in 2017. It was once the home of the architect of the Treasury building, J.J. Clark. This is a prime real estate location with many of the older properties being updated to suit their owners' lifestyle requirements.

Similarly, the property at 190 George Street was renovated with an interior update adding to the period charm of a significant Melbourne property. The tightly held nature of this exclusive precinct is demonstrated by the fact that the property has only had five owners in nearly 110 years. The property was on the market in September last year for $3 million to $4 million with no record of a transaction since.

190 George Street, East Melbourne. *(Source: Domain)*

Inner West

The renovation and extension trend is also evident in the inner west with kitchens being the key focus of most updating projects. Indeed, the Housing Industry Association estimates that roughly 30 per cent of the nation spends $70,000 to $200,000 on upgrades, one-third of which is spent on kitchens (Domain, 2018).

This Elizabeth Street, Moonee Ponds property was purchased circa 2008 for $580,000 and resold in 2018 for $1.705 million following a substantial renovation, including a new kitchen.

The renovation trend has also been picked up in the apartment market with one and two bedroom units in established suburbs such as Moonee Ponds and Essendon popular with renovators, again often including an extensive kitchen makeover with only superficial updates to the exterior, as seen in Unit 6, Chaucer Street.

Unit 8, in the same Chaucer Street building, was purchased in 2002 for $177,000 and resold for $404,000 earlier this year following an interior update.

Outer West Suburbs and Geelong

While it's clear that Melbourne's property market started to soften over the first half of 2018, Geelong remains one of the best performing property markets in the country, outperforming every capital city and major regional market.

CoreLogic's latest Hedonic Home Value Index shows dwelling values in Geelong, taking into account both houses and units, were up 11.8 per cent over the past year to $564,847.

Established inner-city residential locations such as Geelong West, Drumcondra, East Geelong and

20 Elizabeth Street, Moonee Ponds. *(Source: CoreLogic)*

6/8 Chaucer Street, Moonee Ponds. *(Source: CoreLogic)*

6/8 Chaucer Street, Moonee Ponds. *(Source: CoreLogic)*

Newtown, have seen some significant results with an increase in demand for both dwellings that required a complete rebuild and those that have already undergone high-end luxury transformations.

These areas are often restricted by heritage overlays and neighbourhood residential zoning which may reduce higher density development in order to preserve the neighbourhood streetscape.

Vendors willing to undertake a renovation are often rewarded at the time of sale with strong buyer demand for properties equipped with all the modern luxuries and the elegance of a period home.

The house at 25 Elizabeth Street, Geelong West, is an example of a high-end renovation. The property was purchased in 2017 for $580,000 and recently resold for $1.3 million after an extensive renovation that transformed the interior whilst retaining the elegant Victorian facade.

2017 2018

25 Elizabeth Street, Geelong West *(Source: CoreLogic)*

The outer south-western suburbs such as Werribee, Point Cook, Tarneit, Truganina and Wyndham Vale have not seen as significant a trend to renovations as we have seen in other suburbs.

This may be due to the abundance of developing greenfield estates that surround the area where building an affordable new home may be a more attractive option than renovation.

In summary...

There are consistent themes and factors throughout the Melbourne property market that ultimately influence a home owner's decision to renovate, including the extent and cost of the renovation or rebuild and the expected increase in the value of the property.

It can be a difficult and stressful decision, but the potential to increase the value of your home while living in an area you love might be worth it in the long term.

Queensland

Brisbane

Brisbane property has been enjoying a rise in popularity among new residents arriving from our southern big-city cousins... and why not!? We have the weather, the beaches, a laid-back lifestyle, a reasonably positive outlook on the economic front and best of all, you don't have to be the ruler of a small principality in order to afford a CBD-accessible home.

One of the excellent litmus tests of our growing appeal must be the amount of building activity underway in our suburbs. Spotting those locations where construction is at its most feverish helps give appreciation for where prices might be set to rise.

Our family addresses are certainly looking good and the inner-mid ring would be well worth a watch. Look for great school zones and service where the cost of homes isn't prohibitive and you'll spot plenty of people looking to add a little equity through hard yakka.

Locations such as Annerley, Greenslopes and Holland Park in the southern strip are great examples.

Annerley has certainly come some way in its appeal over the past decade. Services are strong with plenty of local retail on hand and it all sits just five kilometres south of the CBD. Older detached homes are due some love with original construction dominated by weatherboard builds from the first half of the 1900s. The junction retail strip has a modicum of undiscovered cool and there's easy road connections through to the freeway and city. Junction Park State School is also well regarded and attracts families.

Greenslopes is a similar distance from the CBD and is traversed by Logan Road. It's got some decent housing on reasonably sized blocks. While buses are the main attraction from a transport perspective, there's no lack of retail facilities to help attract tenants and homeowners.

Another area in the south worth consideration is in and around Tarragindi. This suburb had been a bit under the radar, but it's one that's starting to get noticed. There are excellent schooling options including the very progressive Wellers Hill State School and highly regarded Saint Elizabeth's. Both are attracting new families to the area and a drive through its streets will reveal a plethora of renovation and new build activity. While splitter blocks are among its options with contemporary homes on small blocks becoming more common, renovation of older housing is also appealing. If you can pick up a property with potential at $600,000 to $700,000, then there's a chance to create a dream abode for you and your loved ones.

Looking north and we've been keeping an eye on some of the mortgage-belt addresses. Stepping towards the eight kilometre mark in the north and you'll hit somewhere such as Stafford Heights. The location wants for very little in terms of services and facilities and is filled with post-war timber homes that are ripe for renovation. We're seeing increased interest from those looking to buy in and take advantage of decent sized blocks where they can accommodate their brood.

If you've got a little more money to spend, then there continues to be a lot of work in some of our perennial inner city addresses too. Paddington in the inner west always has tradies on the go, but the appeal is spreading out towards Bardon where you can usually get a bit more land for your dollar too. These addresses are certainly the ones that appealed to well-moneyed southerners who are relocating north, so you can see why there's construction activity afoot.

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One of our crew also came across a welcome uptick in renovation activity around Chapel Hill and Kenmore. These suburbs are a slightly eclectic mix of housing, with older areas containing post-war timber homes while other sections will see designs from the 1980s and 1990s. There's been an interesting mix of those looking to upgrade through renovation, whether as homeowners or investors.

In general, we believe Brisbane can expect to see more of this sort of activity. We have options aplenty and our appeal is growing.

Gold Coast

Gold Coast South

The established suburbs of Burleigh Heads, Burleigh Waters, Palm Beach and Tugun are seeing plenty of homeowner renovation and new construction in existing areas. The market has slowed in these areas in 2018 and it seems that this scenario is happening because these suburbs are seen as quality locations and there is better value in renovating, extending or demolishing and rebuilding to get what you want, rather than selling and buying in the same suburb.

For example, in the area of Burleigh Heads and Burleigh Waters within 1.5 kilometres of the beach, there are at least ten to 15 new homes either recently completed or currently under construction, which is more than at any time in the past ten years. The minimum price for a dry block renovator or knock down is now approximately $800,000 (e.g. 173 Acanthus Avenue, Burleigh Waters). The highest price achieved for a house on a dry block, with no views, in the past 12 months is $1.835 million (30 Banksia Broadway, Burleigh Waters). Therefore, it is not overcapitalising to renovate, extend or demolish and rebuild in this locality. However, in this slowing market, home flippers and spec builders should be very cautious and make sure they are fully aware of all costs before undertaking this type of project.

173 Acanthus Ave, Burleigh Waters *(Source: CoreLogic)*

30 Banksia Broadway, Burleigh Waters *(Source: HTW)*

Gold Coast Central

There is still steady activity by local developers and builders in the central suburbs such as Benowa, Bundall, Mermaid Waters and Broadbeach Waters for duplex style development. This is underpinned by good demand from the local market for as new product in good condition. In addition, the Gold Coast City Council has indicated that duplex style development is in favour and they have a salt and pepper approach to approval applications in localities with a low density zoning, whereby a site may have positive attributes leaning towards suitability for a duplex development, so even though with the low density zoning it would not normally gain approval, it now might.

For example, 37 Collins Crescent, Benowa was purchased in August 2016 for $510,000. The property comprised a semi modern dwelling in run down condition on a 994 square metre site. The dwelling was demolished and the land subsequently improved with two x two-storey, three-bedroom, three-bathroom, double garage detached duplex units each of 268 square metres including garage and outdoor areas, at a build cost of circa $710,000. Unit 1 is currently under contract for $828,000. Should unit 2 sell for similar money, there would be a gross profit of $436,000.

The beachside suburbs such as Mermaid Beach, Main Beach and Broadbeach remain stable with agents reporting some drop off in buyer enquiry, which may be related to tighter lending restrictions by the banks. Renovations are still occurring however may slow down in the near future as supply of newly completed projects rolls out.

For example, Unit 24, The Meriton Apartments, Main Beach is a circa 1994 two-bedroom, two-bathroom highrise unit on level four with restricted ocean views. The unit was purchased in July 2017 for $505,000 and subsequently fully renovated to a good modern standard. It is now under contract for $625,000.

With the overall general softening in buyer enquiry and market activity, it is most likely that professional renovators or property flippers will also reduce their activity accordingly as it will become harder to turn a profit should value levels soften.

Hinterland/West

One of the frequently asked questions put to a residential valuer is "Will doing X add value to my property"?

The short answer is that there's no short answer. Before a home owner starts thinking about the merits of altering their house or buying a property to renovate, they must first question their motivation for doing so. There are two main reasons buyers or owners renovate property. The first is to improve their lifestyle and the second is to make money. The two reasons aren't mutually exclusive, however it is very difficult to achieve both outcomes from the one project.

For those who want to renovate for lifestyle, the main motivation might be to upgrade their property in the suburb or street they are happiest in, or it might be to make room for a parent who needs to move in or a grown child who doesn't want to move out. Maybe the home owner is just tired of the way the bathroom looks. Whatever the reason, wanting to upgrade or change is fine, but don't assume that spending $40,000 on a new kitchen is going to increase the value of your property by $40,000. If your current kitchen is only ten or 15 years old, it is probably still quite functional and adds value to your property as it is. By taking a wrecking ball to the existing kitchen, a home owner is devaluing their property before the new kitchen goes in, so there might not be the net increase in value that the home owner expects.

The take home message for the home renovator who wants to improve their lifestyle is to go ahead if that is what you want to do. After all, it's your house and your lifestyle. But don't blindly assume that whatever project you choose to do is going to give you a dollar for dollar improvement in the value of your property. It still pays to be prudent, drive a hard bargain with your builder or supplier and be mindful that one day you will be a seller and your property will need to appeal to someone else, so maybe shelve some of your more radical ideas unless you can prove there is a market for them.

What about renovating for profit? Want to be a flipper like the trendy, beautiful people on the Lifestyle channels? Sounds like fun, doesn't it? Many have tried but few, in reality, succeed at the level required to make a living out of it. It takes courage, skill, deep pockets and time away from your day job and your family.

Firstly, you have to find a property in the right area and one that is ripe for renovation (remember the kitchen example above), then you have to buy it for the right price in competition with first home buyers who want a cheapie to start out on, as well as investors and owner occupiers who want to renovate for lifestyle. For the latter group, who might be your main competition, profit might not be their main objective, so they may pay more for the property than a buyer who wants to renovate for profit.

When renovating for profit, what you pay for a property is one of the most important factors along with how much you spend on the renovation. There is also the cost of money (the interest on your borrowings), your wages (you need to pay yourself a wage if you are no longer going to work), capital gains tax if you are not living in the property as your principal place of residence, purchase costs and then selling costs. And that is before you make a profit.

Many flippers only end up making a profit in a rising market. That is to say, in the time it takes to complete a project, the broader property market has increased to the extent that a profit is made on the project by dint of market forces and not from the skill of the renovator. Many renovators in the past have been blinded to their lack of ability or skill by the market doing the heavy lifting for them. If there is a flat or falling market, flipping for profit is a very risky strategy.

The example shown depicts what happens when a home owner over estimates their ability as a renovator. This property in Nerang was sold recently by a mortgagee in possession and was sold as is, how is for a reported sale price of $333,000 following a failed attempted renovation project. It got too big for the homeowner's skills and in the end, the property was repossessed.

In terms of the Gold Coast's west and hinterland, most renovation projects fall into the lifestyle category above. Suburbs such as Nerang during the 1990s and early 2000s were in decline as its housing was ageing and the area was perceived as having some social issues with high levels of low income households and low cost rental properties. However, its proximity to train and road corridors and relative affordability has sparked renewed interest in the area.

Nerang house *(Source: Herron Todd White)*

Some of the more popular renovation projects undertaken by home owners are simple upgrades to kitchens and bathrooms up to a full make over including floor coverings, blinds, air conditioning, lighting and kitchens and bathrooms. Other popular improvements have been garage conversions and, in the case of the old high set hardiplank and fibro houses, granny flat conversions to the lower levels. Prices for cheaper houses suitable for renovation in Nerang start around the early to mid $400,000s.

In areas such as Mount Tamborine in the Gold Coast hinterland, there is an eclectic mix of housing styles and tastes with a real variety of ages and styles represented. Some of the area's older houses are due for renovation and homeowners can get away with more out there interior designs and colour palettes than some of the more conventional Gold Coast suburbs. An entry level house on Mount Tamborine will start at around $425,000 to $450,000. Some of the older acreage properties on the mountain on 2,000 square metre lots or larger start in the high $500,000s to early $600,000s for prospective renovators.

Central North

Over the past few months the number of properties being renovated in the northern central Gold Coast area has seen a gradual slow down, where the market for property flippers has been very minimal. The renovations still come from upgraders within the market, as they wish to remain in the same location and see better value in renovating, rather than selling and buying something modern in the same area.

Increasing bank interest rates, lending regulations and consumer confidence in the property market is seen to be a contributing factor to this slow down. Owner-occupiers are finding it easier to renovate with cash reserves than trying to obtain lender financing in this current market.

Small scale builders and developers are still focusing on opportunities within the medium density residential areas of established suburbs such as Paradise Point, Hollywell, Labrador and Southport. Duplex and small townhouse projects are continuing to be built as demand for this type of product is still prominent in the market due to the demand from downsizers and first home owners, and has remained relatively stable.

An example is 17 Holly Avenue, Hollywell, which sold on 19 August 2016 for $600,000. The improvements on the 506 square metre medium density residential allotment were cleared and a two storey duplex pair was constructed, each unit comprising of four bedrooms, two bathrooms and double lock up garage. Unit 1 was sold in June 2018 for $615,000 and Unit 2 for $650,000 in December 2017. This price point allows downsizers to obtain a property in a good location with little up keep and allows first home owners access to the first home owner's grant and the opportunity to live within a well-established suburb.

In the short term, we are seeing the early signs of a weakening market, particularly within the high-rise unit market. The shift from interest only loan structures to principal and interest repayments and out of cycle interest rate rises will put pressure on those who are leveraged too highly and will continue to weaken this investor market on the Gold Coast.

Sunshine Coast

The Sunshine Coast has seen an increase in the gentrification of established suburbs, particularly the sought after coastal and beachside localities as the availability of vacant land for new builds is scarce. Therefore the opportunity to renovate and cash in on the current demand for these areas is seen as a viable alternative.

The main driver of gentrification within these older areas is that they are well located close to amenities and the beach, thus creating demand for these locations for people to live. The Sunshine Coast has had and continues to have some large infrastructure projects which are attracting a significant number of people.

A major attraction to the established areas within the central Sunshine Coast is the prospect of the new CBD which is currently under construction. Moving further north, the areas of Mount Coolum, Yaroomba and Coolum Beach are seeing increased demand with access to the new international airport being a major draw card. Up north in the Noosa region, the areas in Sunrise Beach, Sunshine Beach and old Tewantin near the river and town centre and also Noosa Junction are seeing a significant number of renovations and re-builds, once again, location close to shops, cafes and beach or river being the biggest attraction. The southern areas of the coast have already seen and will continue to see the benefit from the medical precinct and Sunshine Coast University Hospital.

The majority of renovations are being completed by owner occupiers. Typically they are looking to stay in their current location which may be close to schools or the beach and they want to create their dream home. The added benefit is that over the past 12 months, well-presented properties with good quality renovations have attracted a premium as purchasers are seeking properties that require no work to be done. However these properties have mostly been along the coastal strip where demand outweighs supply. One example in Peregian Beach was a property purchased for around $580,000 in original condition. The purchasers completed a full renovation and this property recently sold for just over $900,000.

Renovations have typically been restricted mainly to housing but we have started to see renovations being completed on older walk up style unit complexes. The risk with these renovations is that if the body corporate is not in a position to do works to the exterior of the building, this may detract from the internal renovation and therefore may not achieve the desired result.

The typical entry price point for these types of properties along the coast ranges from $550,000 to $750,000 however, the entry price point within the northern suburbs of Sunshine Beach and Noosa Heads is typically $900,000 and $1.1 million for properties that require extensive renovations.

The demand for this market is expected to continue with proximity to the beach being top of mind given the coast life style.

Toowoomba

Renovation has always been popular in the Toowoomba area, particularly in uncertain financial times when the market may feel safer to invest funds into their existing property rather than buying or building a new property. With the large supply of housing currently at hand and some cases of reduced prices, owner occupiers could consider buying into a newer property instead of renovating.

The majority of renovations will be found in close proximity to Toowoomba's CBD in established areas such as South, East and North Toowoomba and Newtown. Further out from the CBD, Centenary Heights, Rangeville, Mount Lofty and Harristown have also seen many renovation projects. Typically, areas further from the CBD are characterised by modern housing. As a result, there is less demand for property to be renovated.

For house flippers, the right price must be paid for a property to then renovate without over capitalising. Care needs to be taken when considering the true costs and the time it takes to renovate. Newtown homes remain popular with first home buyers as they offer a blank canvas opportunity to add value. The market for these homes once renovated also remains active with the more affordable price point in Newtown compared to the eastern suburbs proving attractive to some buyers. Early 1900s colonial homes around East Toowoomba traditionally command premium prices. They are often located on larger lots in sought after locations and ideal for upgraders looking to add extensions with their renovations.

The opportunity to buy dwellings with renovation potential across Toowoomba is endless with buy in price points ranging from around $200,000 to $500,000, depending on the area.

An example follows of an original, two-bedroom timber cottage which sold in May for $205,000 in the inner suburb of Harristown.

4 Blackwood St, Harristown *(Source: RPData)*

Another example is an original, three-bedroom timber cottage on a double block which sold in May for $485,000 in East Toowoomba.

5 Alice St, East Toowoomba *(Source: RPData)*

Toowoomba's heritage and colonial homes are synonymous with the Toowoomba property market with heritage conservation guidelines sometimes limiting their removal for higher uses such as units and townhouses. This further entices owners to renovate existing colonial homes.

The current Toowoomba market in most cases does not reflect large gains on renovation projects. Some locations and property types may in fact show a loss, some may break even (dollar for dollar) and some may show small gains. There are many factors contributing to this such as holding costs, transfer costs, and labour costs. Overall, it can be difficult to find a renovation project in Toowoomba that would make a substantial gain, however the renovation market is highly active and can provide enhanced lifestyle and locational benefits beyond pure financial gains.

Townsville

We are currently seeing gentrification activity within Townsville's residential property markets for timber framed homes within the established suburbs of Aitkenvale through to Hermit Park and Railway Estate.

Renovations include additions of decks or patio areas through to new kitchens and bathrooms and full renovations. House flippers are also active in the market with good buying available through mortgagee in possession sales, deceased estates and a general soft median house price.

There is limited new home construction occurring within these established suburbs as the price point of buying an existing home, demolishing and rebuilding a new home is not feasible in the current market environment. We are however seeing some interest in larger corner lot properties that offer small lot subdivision potential as a way of making the construction of a new home in these established areas more feasible.

The market for renovating is likely to continue to remain active with interest rates at low levels, whilst house flippers are also likely to remain active due to the good buying opportunities available. These flippers must always be mindful of overcapitalisation, with the market currently presenting some good buying opportunities, but also potentially being a difficult seller's market.

Rockhampton

Home renovation is an aspect of the housing sector that is ongoing, regardless of whether that market is strong, steady or weak. Renovations generally vary from basic cosmetic works (renewal of appearance) to major renovations that might include an extension or lifting of a house and building in under the main floor area.

The Rockhampton market in general has been weakening in times gone by and is showing signs of improvement. The weakening market has provided opportunities aplenty in the past few years for good buying with some home buyers making the most of the lower prices to buy and renovate.

The majority of renovations in the Rockhampton region are completed by existing home owners looking to gain the benefits of a modern fresh look. These renovations generally occur in the better quality areas of Rockhampton.

We do also see the savvy investor making the most of good opportunities to spruce up and turn over to make a dollar or two. The ages of these homes vary depending upon the suburb and can be split between the south side and north side of Rockhampton.

The south side of Rockhampton is made up of mostly older, Queenslander style dwellings and depending upon the suburb the price range for a renovated home varies. Areas such as Depot Hill and closer to the city centre are generally in the sub $200,000 price range. Needless to say, renovations on these houses are generally basic cosmetic works and probably aren't as active as in other areas.

The more popular areas on the south side are generally The Range, Allenstown and Wandal, with each suburb providing different price points. The Range is the more prestige area that sees an older renovated home priced well above $500,000 and even over the $1 million mark for a select few. Allenstown and Wandal are continuing to see good activity in renovation works. These are the areas that we tend to see more major extensions carried out.

Homes in suburbs such as Berserker and Park Avenue that are older and fully or partially renovated generally sell between $200,000 and $300,000. In suburbs with homes that are starting to be 30 to 40 years old such as Frenchville, Koongal and areas of Norman Gardens, renovated homes vary between $300,000 and $500,000 depending upon size and extent of the renovations. These are possibly the more popular areas for renovation works on the north side as these homes are typically not as old and therefore are often easier canvases to work with.

It is important to note that in recent years it has been extremely difficult to finance major renovations if the property hasn't been held for in excess of ten to 15 years as capital growth has essentially been non-existent. Renovations can be costly and in a declining or bottomed out market, it is difficult to gain full construction costs back in the market.

Having said this though, major renovations are still a popular choice, particularly in suburbs south of the river, as there is no room for growth in these areas (no opportunities to build new). Many families choose these areas for the convenience and lifestyle of being within extremely close proximity to the major facilities of Rockhampton including the CBD, major hospitals and private schools. Premier locations cannot be replaced, however the original homes in these areas do not always cater well for the demands of growing, modern families. This is the sector where major renovation works progress despite the added value of the works being sometimes only half to three quarters of the cost to complete.

Given Rockhampton has a lot of older style dwellings and the current new home construction not being strong, we see the renovation sector continuing in the Rockhampton area.

Gladstone

For so many years, renovating your property in Gladstone was a pointless exercise as any money spent would be lost as the market continued to decline. Now that the market has turned the corner, we have started to see more renovation work taking place.

Most of this work appears to be on properties that were purchased in the past 18 months at bottom of the market pricing. A significant number of owners who purchased prior to 2017 (or in the last boom) simply cannot afford to renovate due to the lack of equity in their homes.

There has been a definite increase in the number of new pools being added to properties before the central Queensland summer rolls in. There is no one suburb in the Gladstone region that stands out for new renovations being undertaken, however the older, established suburbs of West Gladstone and Kin Kora have seen a sprinkling of new homes built over the past several months.

Bundaberg

The market in Bundaberg remains stable. Bundaberg has a large portion of older suburbs ripe for renovation works with many owner-occupiers having a give it a go attitude. Whilst this sweat equity may provide some capital gain, it comes at the risk of poor workmanship which can put potential buyers off. The most popular renovations currently are kitchens, bathrooms and sheds.

With housing still so affordable in Bundaberg and the surrounding areas, we see renovations continuing into the future.

Mackay

The Mackay market has seen a large increase in the number of renovations to dwellings undertaken over the past 18 months. The significant falls in value during the downturn created an excellent opportunity for renovators. Dwellings were being snapped up under $250,000 and in some cases below $200,000. These dwellings have then been given the treatment, with extensive renovations both internally and externally, to create near new homes while maintaining the character of years gone by. Now that the market has shown signs of improvement over the past 12 months, there is a definite market for the renovated product. Price points for low set 1950s dwellings that have been extensively renovated are selling for between $350,000 and $400,000, with some larger dwellings or properties with significant ancillary improvements selling between $400,000 and $450,000. The highest sale so far is a fully renovated highset dwelling in North Mackay on an above average land size selling for mid $600,000.

Many of the properties being renovated are being done for resale at a profit. The key to a successful renovation and sell for a profit is to get the entry price as low as possible to allow good quality renovations to occur without blowing the budget.

Now before you get excited after watching an episode of The Block, the majority of the renovations have been undertaken by registered builders and to a high standard. It is not uncommon for well over $100,000 to be spent on some of the renovations. The market appears to be a harsher judge on the part-time renovator who just splashes on a coat of paint and makes some minor improvements.

Hervey Bay

In recent years, interest in buying old and renovating to new has slowly been increasing, although with the affordability of new house and land packages around the Fraser Coast, buying older is less appealing.

An advantage of buying and renovating older homes around the area is to secure a good location. These locations are generally the beachside suburbs of Point Vernon, Pialba, Scarness, Torquay and Urangan close to the Esplanade.

These areas are predominantly fully developed with little vacant land available. Investors are generally looking to purchase run down dwellings, fix up and turn around within an 18-month period, hoping to capitalise on a rising market, whereas owner-occupiers generally purchase and renovate over a longer period of time to a higher level of quality.

The lack of available land in close proximity to the beach is the main driver, however another advantage of purchasing a renovator is that the cost of replacing some of these larger, older homes can be significant.

Price points within 500 meters of the Esplanade (but not on the Esplanade) for older dwellings requiring renovation can vary from $280,000 to $450,000. The price variations include factors such as land size, structural condition and dwelling size. The Hervey Bay market appears to have a price ceiling in certain locations and if purchase and renovation costs in these locations exceed this price point, a return on investment may not be achieved.

Emerald

We are seeing minimal renovation and extension work in the residential market. Those who picked up bargains or cheap properties at the bottom of the market 12 to 24 months ago are in a position to renovate and reap the rewards in value. This is the only area where this activity is taking place.

Those who purchased during the last boom mostly still owe more than their house is worth, or haven't quite got back to a position of building equity, however the market is on the rise and there is light at the end of the tunnel for these owners.

We are seeing owners who purchased mortgagee in possession properties that were sold as is spending money renovating.

Our market is still limited to those who have purchased in the past two years as far as equity and freedom goes as they enjoy the rise in our market over the past 12 months.

South Australia

Adelaide

Renovate or detonate? A classic introduction to a real estate advertisement. When read by those who can see past the cracks, stains and smells, the endorphins begin to pulse. These diamonds in the rough can be found dotted around suburban Adelaide waiting for renovators and developers to add value. Whether it's the lure of restoring an old house to its former glory, a quick pick and flick or a demolition and build, there is something out there for everyone. We will be focusing on the inner and middle rings.

The rising South Australian metropolitan property market has put a hold on some owner-occupiers looking to up size. Some of those who purchased pre-2014 have now found themselves priced out of their local market. Not wanting to purchase a larger property in a suburb with a more achievable entry point, owner-occupiers have had to find alternatives to gain the additional space to accommodate growing families. This is particularly prevalent in the local council areas within the inner ring with many achieving double digit percentage growth since 2014. Some of the best performing councils during this period have been Norwood Payneham and St Peters, Prospect, Burnside, Unley and Holdfast Bay.

Entry points for dilapidated, renovated and new dwellings vary suburb to suburb. Dilapidated dwellings typically have a market entry point within

46 Green St. MORRIS (Source: realestate.com)

the $500,000 to $700,000 range. Well-presented and renovated dwellings have an entry level of $700,000 to $900,000 whilst new builds have an entry point of $500,000 to $600,000. These entry levels increase as purchasers seek out properties within the inner ring with closer proximity to the CBD and other shopping and transport facilities.

Examples of these entry points include dilapidated 46 Green Street, St Morris ($573,000), renovated 15 Gareth Avenue, Woodville Park ($705,000) and new build 3a Dennis Street, St Marys ($520,000).

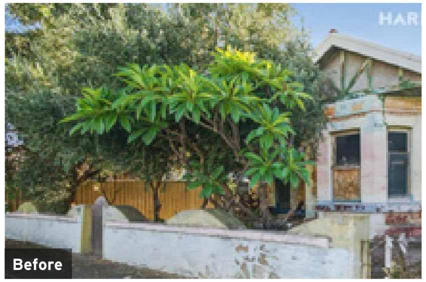
There is plenty of upside available in a rising market for those looking to pick and flick. In the inner rings, dilapidated character dwellings best lend themselves to this strategy. These properties are typically overlooked by developers given heritage and planning restrictions and avoided by first home buyers who require some creature comforts. In

15 Gareth Avenue Woodville Park *(Source: realestate.com)*

3A Dennis Street St Marys *(Source: realestate.com)*

a rising market, value is created not only in the renovation but in the organic growth of the market during the renovation period.

Both 14 Nairne Terrace, Forestville and 18 Albert Street, Prospect fall into this category of pick and flick. A circa 1900s single level villa, 14 Nairne Terrace, Forestville was purchased in April 2017 for $452,000. At the time of sale this property was in dilapidated condition disposed as four bedrooms and one bathroom and advertised as land. After a full renovation and small extension, the property was sold as a three-bedroom and one-bathroom dwelling for $800,000 in April 2018.



14 Nairne Terrace Forrestville *(Source: CoreLogic)*

Similarly, 18 Albert Street, Prospect a three-bedroom, one-bathroom bungalow in original condition was purchased in April 2017 for $720,000. The property underwent a full renovation and was sold in June 2018 as a four-bedroom and two-bathroom dwelling for $935,000.

Medium density construction has been on the rise in metropolitan Adelaide. This has been most prevalent in the middle ring. The Port Adelaide Enfield Council and Campbelltown Council have been most active in relaxing their development constraints. Townhouse developments continue to pop up in the suburbs of Campbelltown, Hectorville and Tranmere to the east of the CBD. We are expecting this style of construction to occur in the suburbs of Blair Athol and Kilburn north of the CBD after large portions of these suburbs where re zoned to urban renewal in early 2018. Developers are seeking out larger parent allotments in these zones with developments typically comprising three to six townhouses. These townhouses typically have a price point within the $500,000s. The recent sale of 10A Raymel Crescent, Campbelltown for $575,000 provides a representation of this style of property. This is a two-level, semi-detached townhouse described as three-bedroom, two-bathroom in a group of three townhouses.

18 Albert Street Prospect *(Source: Realestate.com)*

10A Raymel Crescent Campbelltown *(Source: Realestate.com)*

Development constraints tighten within the inner ring where we see a larger proportion of lower density development. Purchasers looking within this portion of the market typically seek out properties of high quality construction with large open living spaces and well-established site improvements. This market segment typically has an entry level in the low $1 million. Built in 2018 and described as four bedrooms and two bathrooms, 29 Winchester Street, Highgate achieved a price of $1.291 million in June. This property includes high quality fixtures and fittings and is situated on an allotment of 539 square metres.

29 Winchester Street Highgate *(Source: Realestate.com)*

We expect an increased amount of new medium density townhouse development occurring in the middle ring as speculative builders make use of relaxed zoning constraints. The market appears to be reacting well to this style of product however there is a risk that this segment becomes oversupplied as more developers enter the market.

The outlook for character dwellings, both dilapidated and renovated, and lower density new builds appears positive. These market segments look best set to reap the rewards of the spring rush.

Mount Gambier

In the Mount Gambier market, home renovation in established areas has always been quite common, perhaps even more so in recent years given the improved market conditions. This could be due to a number of factors such as lower interest rates, greater job security and employment growth throughout the region.

Old character dwellings located in highly sought after locations such as Bay Road and Ferrers Street are common to renovations and extensions. These properties are generally tightly held, however without renovations they can be quite dated. It is common for dwellings situated on large allotments in established residential areas to be subdivided, with new units being constructed to the rear.

Renovations in Mount Gambier are generally completed by owner-occupiers looking to upgrade or extend based on their needs, however house flippers wanting to make a profit are also common in the region. Mortgagee in possession properties are probably the most common amongst house flippers. They can purchase these properties at a low cost and can generally complete minor renovations without over capitalising. House flippers may also purchase older style dwellings at the lower end of the market, situated in sought after locations, which require a substantial amount of work to be completed.

If first home buyers are purchasing a property, they generally are purchasing with a value less than $200,000 at the lower end of the market. These properties are a mixture of dwellings and units, which are generally dated and require some work. In order to make quick equity, renovations in these homes will generally be quite basic and consist of a new kitchen, bathroom, some fresh paint and some new floor coverings.

Renovations and extensions are also common amongst owner-occupiers who may need a bigger space for growing families, but don't want to move. Or perhaps their children have moved out or gone off to university and they want to update their home. Whilst this can be beneficial at the time, the owner also needs to be cautious of overcapitalisation which is common with extensions in the current market climate.

The buy-in price points for homes with upgrade potential varies. As mentioned above, many flippers purchase mortgagee in possession properties for a low cost, which can range from $100,000 to

$200,000. First home buyers also generally purchase properties for less than $200,000. However, if a family needs to upgrade to a bigger home and would prefer to buy a house and complete renovations rather than build , then the buy-in price point may range from $250,000 to $350,000 depending on a number of factors such as location, size, condition, etc.

Many of the older character style dwellings throughout Mount Gambier are situated in heritage areas, so there are heritage guidelines that should be followed. Renovators and builders looking to upgrade these dwellings or construct a new dwelling in a heritage area will need to be aware of these rules and guidelines before any work commences.

Home renovation has always been quite common in the Mount Gambier region and there is no current evidence suggesting that this will change in the future.

Tasmania

Hobart

Invermay in Launceston has seen a significant change over the preceding decade. The area was originally established as a workman's suburb around the time of Federation up until the 1920s with many of its male residents working at the old railway yards. It includes the region known as Inveresk. Most of the homes are of a more modest size being both detached and attached and brick or weatherboard in construction. Typically, they comprise four main rooms with rear kitchen and bathroom amenities. Features include the Federation style with front bay window, some internal use Baltic pine linings and flooring, high ceilings with ceiling roses, picture rails… and don't forget that lovely wide architraving.

As the older generations have moved out, first home buyers have moved in and brought their paint brushes and hammers!

The old beauties are being brought back to life and into the next century. While the streetscapes in many instances remains unchanged, what's going on under the roof certainly is improving the liveability and capital value of the properties.

Entry point in the area is still below $250,000 evidenced by the sale in June of a house in Donald Street being a three-bedroom, one-bathroom, 1920 weatherboard dwelling for $240,000.

And what gains can be made? $400,000 is no longer the barrier it once was. A 1900 house in Invermay Road recently achieved $460,000 after being extended by 213 square metres to provide four bedrooms and two bathrooms.

We remain positive about the area. Why? The Tasmanian University is relocating to the Invermay precinct (student accommodation is already partly there). Notwithstanding the obvious capital being spent, the university will bring people and people need places to live! It's on offer here and all just across the river from the CBD.

The price boom in the state's capital Hobart has seen a bit of a move where people are buying doer uppers. Simply put, for many the inner-city suburbs are now less affordable. This has resulted in pushing these buyers out further from the CBD. Where are they buying? Suburbs such as Montrose can still provide affordable property with capital growth potential. A house in Phillip Street (three-bedroom, one-bathroom, 100 square metres of living on a full size 604 square metre lot) recently sold in June for $325,000. Yep, it's original throughout and certainly could use some TLC, but a similar style house with renovated kitchen and part renovated bathroom achieved $410,000 in Ruthwell Street. That's worth the trip to Bunnings and some weekends with the drop saw!

These middle ring suburbs still offer affordable buying and while there is some evidence the market is peaking, there's still opportunity to add a bit of capital growth in the short term with some hard work.

Northern Territory

Darwin

The residential property market throughout Darwin's northern suburbs has always been a hot spot for the mum-and-dad investors and first home buyers.

There is no question that this market segment has felt the effects of the market contraction in terms of both sales volume and value over the past two years. Towards the end of 2014, this market segment was difficult to penetrate with strong competition driving prices well above achievable and sustainable levels, particularly for first home buyers who were competing with investors looking to capitalise on strong yields.

We consider at this point in time, this particular market segment has probably reached around five or six o'clock on the property cycle clock which says values have bottomed out and activity remains subdued - a holding pattern if you like. With this, opportunities to enter this market begin to open up at much more affordable prices.

Currently the Northern Territory government is offering a first home owner discount, which is a full stamp duty concession on the initial $500,000 value of the home, resulting in savings of just under $24,000. Also on offer is a home renovation grant of up to $10,000 on an established home. These are significant savings and provide a home owner the opportunity to add value by completing renovation and upgrade works to their property.

In recent times, we have seen a significant number of ex Housing Commission dwellings hit the market, as the government looks to turn over stock. There is no question that these are the most basic of structures with few quality fixtures and fittings, however, like most of the northern suburbs, they were well constructed on solid foundations. It's with this type of property that good opportunities exist for first home buyers - purchase an entry level dwelling in a subdued market and take full advantage of the grants on offer from the Northern Territory government to improve your property and add value.

Renovations can be expensive and it's certainly a fine line between the cost versus value relationship of any works completed. The advantage in this space, and where you strengthen your margins, is completing as much of the work yourself - obviously utilising trades where compliance is required. If you're smart about the type of works you complete and the standard to which they are completed, there are real possibilities to increase the overall appeal and value of your property.

Given our climate and lifestyle in the top end, provision of outdoor living space is essential. Verandah and balcony extensions tend to be popular additions in both elevated and ground level dwellings and can in some instances double as covered car accommodation. These types of improvements are typically lacking in the entry level product and can really improve the utility and functionality of a dwelling by incorporating indoor and outdoor living.

Swimming pools also feature as common upgrades on town blocks, whilst granny flats and sheds tend to dominate the rural residential areas. These types of construction can come at some significant costs, however in a rural residential market where owners will typically have motorbikes, boats and trailers, good shedding is considered important and does increase the overall marketability of a property. Quite often, sheds are fitted out to a habitable standard and may or may not be certified for living. In the instance where elderly parents or teenagers may require detached secondary accommodation, converted sheds can provide this to a reasonably good standard whilst minimising costs compared to rendered block constructions.

Regardless of the type of renovation or addition to a dwelling either in the rural or town areas, what is apparent is that without such improvements being made to a property, there is limited scope for capital appreciation of the asset. To simply rely on upswings in the market to see an increase in value is not likely to yield you anything in the medium term and owners should consider very carefully what type of renovation or addition will provide the most bang for their buck.

Western Australia

Perth

Whilst new stock continues to be released to the market through the development of numerous housing estates on Perth's outskirts, it is easy to forget about construction in our inner suburbs.

Owner-occupiers who have lived in some of Perth's more established areas for extended periods (and have built up large sums of equity over that time) often look at ways of changing or improving their lifestyle. One avenue to take when considering a lifestyle change is to move into a better house (better being a broad and subjective term). As there are many different factors to consider when looking to upgrade, it can be a hard decision to make whether to move to a different location, stay put and renovate your existing dwelling, or demolish the current home and start anew. Some deciding factors are more emotionally driven and some are financially driven.

The height of renovation work in Australia was between 2010 and 2011 when the value of completed alterations and additions reached $5.9 billion. Since then, renovation work has slowly declined. In June 2017, there was $879 million worth of renovations work completed in Western Australia, 16.8 per cent lower than a year earlier (Domain, 2017). John Gelavis, WA's Executive Director for the Housing Industry of Australia (HIA) has stated that alterations work should be substantially increasing as we get closer to 2020. This is because WA's percentage of housing stock which falls within the ripe renovation age of 30 to 35 years old will be expanding. This being said, other research from the HIA repeatedly demonstrates that detached houses in the age group between 11 and 20 years are responsible for a high portion of Australia's home renovations activity (HIA, 2017).

To figure out what is more financially viable (renovating, relocating, or rebuilding), consider the sale price of your home 'as is' and the house you aspire to live in, then add on stamp duty, fees and moving costs to produce a general cost of relocation. With that same budget, would you be able to renovate to achieve your goals? Look at houses in the area that would be comparable to your aspired renovation and see what kind of sale prices they are attaining. Generally speaking, knocking down and rebuilding will cost more than a renovation, although the cost of renovation on a square metre basis is far higher than that of a new build.

Let's look at some factors in the decision-making process of upgrading your living situation. When thinking about moving to a new location instead of renovating or demolishing, you have to consider the costs of stamp duty, legal fees and moving costs on top of the purchase price. If you already love and enjoy the amenity of your current location, then renovating or rebuilding can be a viable option.

Another reason to consider renovations is if you already enjoy the layout of your home. It could be that there are period or character features that you want to maintain whilst sprucing up a dated kitchen or bathroom, or you may just want to add a new entertainment space or bedroom through extensions. If you choose to renovate your home instead of demolishing, then you can stagger the construction stages, spreading out the cost and disruption to the household. You can also help keep costs down by doing some minor works yourself. Painting, landscaping and replacing blinds or curtains are all good options. Speaking of disruption, this is one argument for choosing to relocate instead of renovating or rebuilding as you may be required to spend on finding alternative accommodation if the works are substantial. Also, renovated homes often require more maintenance than if you were to demolish and create a brand-new structure.

It can be easy to spend over your original renovations budget. Unforeseen issues can pop up at any time, especially when you start pulling apart the internals of older dwellings, so make sure you seek professional advice and factor a contingency into your budget.

So how much does renovating cost? This is a hard question to answer as the scope of work can vary substantially. Speaking generally though, major kitchen renovations start from circa $20,000 and can increase upwards of $50,000 depending on the size of the kitchen and whether you are removing walls or choosing high quality, unique fixtures and finishes. Major bathroom renovations start at circa $15,000 and can carry on upwards of $30,000 (again depending on a number of factors). These costs can of course be lower if you are only completing minor works and spend wisely.

Houzz Australia's 2016 Houzz and Home Report states that homeowners spent an average of $31,000 on major renovations of a large kitchen (more than 12 square metres) where all appliances and cabinetry was replaced and $21,840 for a small kitchen (less than 12 square metres). The Houzz and Home Report also showed that the average spend on major bathroom renovations was $16,440 for a large bathroom (more than five square metres) and $14,770 for a small bathroom (less than five square metres) (Domain, 2017).

Extensions vary significantly in cost and this depends on number of factors: what needs to be demolished; any problems with earthworks or the existing structure; removal of walls; quality of fixtures and finishes; the size of the extension; etc. Often significant extensions are more expensive than building a brand new home through volume builders due to the uniqueness of each project. I will now provide brief examples of two recent renovation projects in Perth.

The first project in the suburb of Kensington is explained as follows. The extension includes two new bedrooms, a new activity room, store room, and an ensuite. The total floor area of the new extension equals 117 square metres with a cost of $286,000. This equates to $2,444 per square metre.

The next project in the suburb of Mount Hawthorn is explained as follows. This project is an extension on a circa 1950s dwelling. A proposed two-storey extension will be connected to the rear of the home where the backyard currently is. A new laundry, living and dining area, and outdoor decking will be added on the ground floor. The first floor will comprise two new bedrooms with large wardrobes and a bathroom.

This extension project will add 150 square metre of floor space at a total cost of $502,000, which equates to $3,346 per square metre.

Prices for alterations and extensions differ significantly from project to project. Making the decision to renovate or rebuild depends on your budget and personal circumstances. If you choose to demolish your existing house and rebuild, then you have to factor in the cost of alternative accommodation. Then you have the actual demolition to factor in, which generally costs between $15,000 and $30,000 depending on the size of the dwelling, how much material is recyclable, and if there is significant asbestos to clear. The costs of building a new dwelling obviously also varies significantly. Volume builders can create houses for as little as $180,000, assuming limited finishes and fixtures, but this wouldn't reflect a standard demolish and build project.

In established areas where most of the renovation or demolish and rebuild work is undertaken, owners usually spend at least $300,000 on a new dwelling. Suburbs with character homes have been popular for renovation or new builds in 2018. Suburbs with median house prices over $650,000, typically occupied by families with two incomes, have been amongst the areas with the most renovation activity (Domain, 2018). This includes older areas such as Mt Hawthorn, North Perth, Wembley, Nedlands and Mt Lawley. Amerex general manager Suzanne Burke stated that owners of homes built in the period from the 1960s to the 1980s were becoming active for renovation which includes suburbs such as Woodlands, Wembley Downs and Dianella (Domain, 2018). Amerex has also completed renovations around the Bull Creek-Melville areas recently as the 1970s and 1980s styles of homes found in these suburbs are becoming increasingly outdated. Ms Burke also stated that homeowners are now desiring a more open plan style of living (Domain, 2018).

Willetton and Bull Creek have seen stable market activity over the past six months as families look towards established areas with good schooling systems such as Rossmoyne and Willetton Senior High School and good access to main roads such as the Kwinana Freeway, Leach Highway, South Street and Roe Highway. There have been plenty of renovations of 1970s and 1980s houses in this area recently as owner-occupiers enjoy the locality and are only looking for an upgrade of their living spaces. Subdivision of large lots and new builds have also been on the increase. Entry into the market for properties with upgrade potential start from around $600,000. Recent changes to zoning in these areas have opened up the potential to subdivide corner allotments. This has produced a large increase in demand from developers and keen demand from owner occupiers looking to downsize into more modern accommodation whilst not having to entirely change location.

Across the Canning River to the north in suburbs such as St James, Manning, Waterford, South Perth and Como, renovation activity has increased over the past two years. With uncertainty in the market over this period, many owners decided to renovate or extend as opposed to selling and upgrading due to fears of further market decline. New construction is still relatively slow, although build and retain subdivision projects are still reasonably popular given the rental income you can achieve for the existing dwelling, which also offsets some of the costs associated with the construction of a new dwelling. East Victoria Park and Victoria Park have also been very popular for alterations and extensions, in particular character-style dwellings. St James has also seen an increase in new construction activity recently as the demolition of older dwellings provides opportunity to produce two side-by-side vacant lots. House flippers in these areas are generally looking for dated dwellings which have a solid structure, where they can renovate the kitchen, bathroom or laundry, re-paint and turn it around in a number of months.

You can purchase a dated character home on a 430 square metre allotment for circa $500,000. A fully renovated version of this type of product with good ancillaries can sell for as much as $800,000 to $900,000, so there is definitely money to be made for the right renovators. The main driver for rental values in St James is the proximity to Curtin University. East Victoria Park and Victoria Park are both within ten minutes of the CBD and are directly along the popular café strip on Albany Highway which is continuing to develop.

The town of Victoria Park has limitations on when you can demolish a character dwelling as they attempt to uphold the amenity of the suburb and don't want it over-developed by new project homes, resulting in many residents in the area applying directly to the WA Planning Commission in an attempt to obtain approval for more contentious developments.

Overall this market is showing signs of improvement. Owners may look to upgrade to a better area rather than renovate or extend their existing residence so the extension work may slow down marginally, however there is still enough construction activity around at present. Furthermore, new construction should increase in an improving market with owners and investors looking to take advantage of potential capital growth over the period of construction.

Looking towards the coastal strip from suburbs between Sorrento and City Beach, new construction is on the rise with demand being reasonably strong for land or properties that represent near land value, although there isn't much renovation activity at present. Suburbs seeing some renovations are City Beach, Trigg, North Beach, Watermans Bay and Floreat. House flippers aren't very active in these areas as land values tend to be quite high, but people are looking to secure these locations to live there for the medium to long term. Schooling and amenities are driving areas such as Doubleview, Woodlands and Wembley Downs. Newman College, Hale School, Churchlands Senior High School and St Mary's are all within good proximity of these areas which is attractive to families.

To conclude, there is definitely a very good argument to be renovating in Perth at present as the four-year depression of prices has made way for significant affordability for dual income households.

House flippers and investors will eventually have good opportunity to make some profit once the market gains traction as some localities have the potential for capital growth over the course of a construction period.

Bunbury/Busselton

Given the relatively subdued state of the residential market in the south-west, there are limited examples of areas where properties are being purchased and renovated and then sold on for capital growth.

The more likely scenario is for properties being purchased in the older suburbs close to the city centre in Bunbury such as South Bunbury and East Bunbury. In some cases older dwellings are being purchased and substantial renovations undertaken, the cost of which would be unlikely to be realized if the property were to be re-sold. However they are still undertaken on the basis that the owners prefer to live in a renovated character home close to the CBD and they are less concerned with potential capital gain.

This can also be said for older dwellings in the localities north of Bussell Highway and close to the centre of Busselton, such as Busselton, West Busselton, Broadwater and Abbey.

A new Town Planning Scheme has been released for Bunbury which has increased the density for many areas across the city, especially for nodes around existing shopping centres. Given the current weak residential market in Bunbury however, this is unlikely to have any significant increase in construction in the short term, at least until values start to improve.

It is interesting to note that there is a large residential development underway on Spencer Street in South Bunbury which will cover an area of about 1.6 hectares. The development will comprise 44 single level and two-storey houses which will see a significant one off addition to the Bunbury residential market.

Australian Capital Territory

Canberra

Construction of new dwellings in established areas in the ACT has been very active over the last one to three years, owing heavily to the Mr. Fluffy buyback scheme. The scheme has forced many properties to be demolished, and as a result the land is resold on the market.

The vacant blocks are incentivised by having increased development potential, where planning will allow multiple dwellings that can be unit titled and sold individually.

These fluffy vacant lands are being purchased by a mix of developers, investors and owner-occupiers who are looking to build. Most developers are purchasing the land to utilise the increased development potential and constructing two dwellings on the blocks. There are also multiple owner-occupiers who are purchasing the blocks to build single owner-occupied dwellings.

Most of these sales are in the older established areas of Canberra constructed between 1960 and 1980, such as Belconnen, Woden Valley, Tuggeranong, Inner North and Inner South. If a prospective purchaser were to buy one of these blocks, they could expect to pay between $350,000 and $1.5 million, depending on the location and specifications of the block. If a prospective purchaser were to purchase an established, unrenovated dwelling in a similar area, they could expect to pay between $450,000 and $1.6 million.

Renovations are also common within these older established areas due to ageing improvements (kitchens and bathrooms) and larger blocks which provide the opportunity for property extensions.