National Overview

Across Australia many home owners are undertaking or planning major home renovations – inspired, perhaps, by all the renovation shows dominating our TV screens, and funded by increased home equity and historically low interest rates.

Renovations can be carried out for all manner of reasons, from adding space for a growing family to restoring a character home back to its original glory.

But large-scale renovations do not come cheap, and with the buoyancy of the residential property market varying widely across the nation, home owners need to be mindful of the risk of overcapitalising.

OVERCAPITALISING – LESS OF A CONCERN IN AREAS EXPERIENCING STRONG GAINS

Overcapitalisation is less of a spectre in some areas. For instance, in inner-city areas such as Melbourne’s Malvern East Gascoigne Estate, heritage homes have the benefit of an outstanding location close to the city and popular private schools, plus an abundance of local amenities. This supports a dollar-for-dollar increase in value – or more – following a major renovation.

In Sydney’s western suburbs, older apartments lend themselves to modernising renovations. And because a unit has a smaller footprint than a house, there is a natural limit on the level of work that can be undertaken, which helps protect owners from overcapitalising.

But in other areas, such as central Queensland, where the property market is very soft following the end of the mining boom, some owners have negative equity, which makes large-scale renovations high-risk undertakings.

HOMES BY THE WATER ARE PRIME RENOVATION TARGETS

Our national love affair with water means it can be hard to overcapitalise on waterfront homes.

In Western Australia, homes along the narrow coastal strip of the Bussell Highway can be prime targets for renovation. The area’s geography means that new homes can only be built further inland, thereby underpinning future gains for properties along the waterfront strip.

That said, an 1890s cottage in Hobart’s Battery Point that has undergone tremendous renovations is currently listed for sale at over $5 million – a price point that will be a litmus test for how much Tasmanian buyers are prepared to spend for outstanding water views.
EXPERT SUPPORT IS A WISE INVESTMENT

The key to successful renovations is to make improvements with not just your personal tastes in mind. Always consider what buyers in your area are willing to pay for. Spending a fortune renovating a 3-bedroom home, for instance, may not deliver worthwhile gains if the local market demands 4-bedroom dwellings.

Understanding what buyers look for in your neighbourhood, opting for renovations that are sympathetic to the local streetscape, and using a reputable team of tradespeople are all good starting points to enjoy renovation success.

If in doubt, speak with experts such as real estate agents and, of course, registered valuers for appraisals of whether your planned improvements are likely to add worthwhile gains to your home’s value as well as your lifestyle.

Brendon Hulcombe
CEO
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Brisbane

Brisbane home owners tend to renovate because it allows them to accommodate their growing families while still living in the areas they love. Home improvements also offer home owners an opportunity to control the standard and style of finishes of their homes, as opposed to buying dwellings that have been renovated according to other people’s tastes. But while all home owners want to stamp their own style on a renovation, when it comes to adding value, it is important to appeal to a broad sector of the market.

In the inner-city suburbs, renovations often focus on Queenslander-style homes, with owners either building underneath or extending the dwellings. Costs for this type of project can range from $300,000 to $500,000 depending on the scope of works and standard of finish.

In the outer Brisbane suburbs, renovations of established brick dwellings typically cost $100,000 and often focus on kitchen and bathroom upgrades or modifications to internal layouts to provide a more open living space.

GOLD COAST

Along the Gold Coast, the more centrally located, older, established areas near the beach are experiencing high levels of renovation activity. These locations have all enjoyed significant capital growth, giving owners additional equity to fund renovations.

Strong renovation activity is currently under way in Burleigh Heads and Palm Beach, where purchasers are looking for older waterfront dwellings to renovate or even demolish and rebuild.

A number of substantial renovations are occurring in Burleigh, with many home owners adding a second level to an existing dwelling. If the location is desirable, this type of renovation can add dollar-for-dollar value to the home, as well as greatly improving the marketability of the property. In general, though, the average value added by a renovation is very much dependant on the scope of the work. Second-storey extensions, granny flats, swimming pools, new kitchens and bathrooms tend to add at least 80 cents in the dollar, unless the floor plan and/or fittings are obscure.

Home owners in Burleigh Heads and Palm Beach are spending up to $300,000 for renovations, though the cost can be substantially higher when a waterfront property is demolished to make way for a new construction. For a basic renovation of a lowset home on a dry allotment in Mermaid Waters, we have seen project costs of around $190,000 just to modernise the homes without a major extension.
Homes that are more than 10 years old in suburbs near the Gold Coast such as Nerang, Ormeau, Jimboomba and Mudgeeraba are typically undergoing bathroom and kitchen renovations, with costs ranging from $5,000 for a basic bathroom up to $25,000 for a modern kitchen. In the apartment market, it is not uncommon to hear of an owner-occupier spending up to $75,000 installing a new kitchen, bathroom and floor coverings.

In suburbs to the north-west of the Gold Coast, renovations are typically being undertaken for lifestyle improvement, with very few owners renovating for profit. Smaller, piecemeal projects are often preferred, as this allows owners to spread the cost over time. Edens Landing, Bethania and Jimboomba are particularly popular among renovators, as these are established suburbs close to major facilities.

Avoiding overcapitalisation should be front of mind, and some home owners in the Gold Coast region are undertaking substantial renovations with a long-term view in relation to location, proximity to facilities and future capital growth. Seeking advice from industry professionals including builders, real estate agents and valuers can help home owners decide which renovations are likely to deliver the best capital gains.

**TOOWOOMBA**

In Toowoomba, there are three main sectors of renovation activity:

1. Small, older homes valued below $350,000
2. Older homes in good locations valued between $300,000 and $600,000
3. Updates to semi-modern homes valued from $300,000 to $450,000

All of these markets are constantly active in Toowoomba, although there is a limited supply of older unrenovated homes due to the prevalence of home owners undertaking renovations over the last decade.

The cost of renovating or extending an older timber home ranges from $1,000 to $2,000 per square metre, and the cost is unlikely to be returned in added value on a dollar-for-dollar basis. We have seen a number of large-scale renovations in the $500,000-plus price range, where it could have been more cost effective to demolish and rebuild rather than renovate.

Toowoomba’s sought-after eastern suburbs are well suited to renovation activity, because values are underpinned by proximity to the CBD. Semi-modern homes dating from the 1970s and 1980s are often particularly appealing to renovators, as oversize rooms and large garages can make these properties ideal for conversion to provide larger living areas. With exterior improvements such as rendered brickwork and new windows, such a renovation project results in an “as new” home internally and a revitalised external appearance.
HERVEY BAY AND MARYBOROUGH

Renovations and extensions in Hervey Bay and Maryborough do take place, though not on a regular basis. Most of the more modern homes in Hervey Bay are brick veneer, the older “beach shack” homes closer to the Esplanade are more suited to renovations.

Maryborough housing comprises mostly highset or lowset timber homes, which over time require refurbishment works. Overcapitalisation is a risk in Maryborough, because the residential market is very competitive and overpriced homes are typically listed for extended periods.

ROCKHAMPTON

The Rockhampton residential market has followed a downward trend in line with central Queensland’s struggling mining industry. With reduced asking prices and a decline in investor interest, many owner-occupiers are taking advantage of the cooler market to upsize or buy with immediate renovations in mind. Completing renovation work in a falling market is highly risky due to the possibility of not recouping the cost of works in the short term. Those owner-occupiers who plan to live in their homes for the long term are less at risk of overcapitalising.

Southside suburbs such as The Range and Wandal are popular among buyers hoping to purchase old Queenslanders and modernise them for a comfortable lifestyle. The northern suburbs of Frenchville and parts of Norman Gardens offer dated homes constructed between 1980 and the 1990s, which can benefit from new kitchens and bathrooms.

GLADSTONE

The Gladstone residential market has been in decline for nearly 4 years since the market peaked in 2011-12. Many buyers who purchased in Gladstone and surrounding areas in the last 5-10 years have seen their properties fall in value, sometimes considerably so, and some are likely to owe more than their properties are currently worth. This leaves these owners in a position where any home improvements have to be funded from personal savings. Consequently, renovation activity is very thin.

Most renovation work is currently being undertaken by home owners who purchased their properties prior to the boom or did not borrow against the value of their homes while values were high.

Minor renovation work such as repainting or replacing floor coverings does not appear to add any value in the current market. It will, however, increase the marketability of the property.

BUNDABERG

The main locations for renovations across the Bundaberg district tend to be those that experienced flooding in January 2013. Following the floods, some owners sold their houses “as is”, often to investors and local builders. These dwellings have subsequently been fully renovated and tenanted. As a result, the property market in the flood-affected areas of Bundaberg North, Bundaberg South and Bundaberg East have enjoyed steady gains.
EMERALD
Many home owners in Emerald would like to upgrade. However, the local market is seeing the lowest property prices of the last 10 years, and many owners facing negative equity are not in a financial position to undertake home improvements. As a result, the renovation and upgrade market is very weak in Emerald.

MACKAY
The Mackay market has seen significant reductions in value over the last 2-3 years, with property price falls averaging 30% since 2013. This has reduced the ability of home owners to borrow funds for large-scale renovations. As a result, the majority of renovations are being completed on cheaper dwellings priced below $200,000, often purchased by first home owners.

WHITSUNDAYS
There are no real stand-out suburbs for renovation opportunities in the Whitsundays, where the more common renovations tend to be the addition of a shed or pool. It can cost up to $30,000 to add a new shed, or around $45,000 for a swimming pool, and the addition of a shed appears to hold more value than the addition of a pool.

CAIRNS
In most capital cities, the only way to live within 20-30 minutes of the city centre is to buy an older established inner-suburban house and renovate. In Cairns, however, there is still ample opportunity to live in a brand new or modern house with a short commute to the CBD.

That said, the older established suburbs of Cairns offer a means of gaining a near-city lifestyle through housing renovation. Popular suburbs for renovators include Cairns North, Parramatta Park, Edge Hill, Manunda and Westcourt.

Parramatta Park is one suburb that has experienced significant gentrification in recent years, typically based on the renovation and modernisation of older Queenslander dwellings. Parramatta Park is one suburb that has experienced significant gentrification in recent years, typically based on the renovation and modernisation of older Queenslander dwellings. Renovated Queenslanders in Parramatta Park currently command prices ranging from $450,000 to $600,000, while similar unrenovated homes sell for between $350,000 and $450,000.

One of the best times to renovate in Cairns can be the summer/wet season, when owners are not competing for tradespeople with new housing developers.
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