

# 4 WEEKEND PROPERTY

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MAJELLA  
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## Renovators run the risk of overdoing it

WHETHER to renovate your home or buy something where the work has been done isn't an easy decision.

Statistics seem to point towards people staying put and renovating because of general confidence and financial considerations. At the same time there is some good buying out there.

One Sydney buyers' agent says many homeowners risk overcapitalising when renovating in a bid to avoid the changeover costs of upgrading to a bigger home.

This can mean they end up financially further behind, EPS Property Search director Patrick Bright says.

"Home owners who have overcapitalised are being exposed more than ever, leaving many at risk particularly in areas where the market has softened quite significantly," Bright says.

"The No 1 cost people try to avoid by renovating is stamp duty. Unfortunately, they don't realise they can tear up just as much if not more than the stamp duty by overcapitalising on a renovation."

His comments follow the latest Australian Bureau of Statistics report confirming a 2.6 per cent increase in major renovations for the June quarter, in direct contrast with a fall in new home building.

The ABS figures, released last month, show overall residential building work done fell by 4 per cent and new residential building work done fell by 5.3 per cent.

Bright, whose buyers' agency project-manages property renovations for clients, saw several homes each month where the vendor's asking price was a reflection of the investment made in buying and renovating the home rather than its real value in today's market.

One sign that a homeowner has overcapitalised is when you ask the agent how the vendor came up with the asking price.

"The sales agent quotes the amount the owners spent on

the renovations and the price the property was worth prior to the renovations, adds the two together and there's the expectation," Bright says.

"It is not uncommon for that expectation to be more than 10 per cent over today's value and sometimes the renovations were finished years before.

"It's wiser for people to factor in their future home requirements beyond the next five to seven years before buying to save on buying and selling costs and to reduce the chance of overcapitalising.

### 'Homeowners who have overcapitalised are being exposed more than ever'

PATRICK BRIGHT  
EPS PROPERTY SEARCH DIRECTOR

"As long as you are investing the extra money you would otherwise be putting into a home, it is often a better overall financial decision to rent in the area in which you can comfortably afford or want to buy into until you know the size of the house you require for your family's future needs."

Owners looking to sell 12 months up to five years after a renovation may struggle to get back their costs, even if the quality of their renovation is top-notch. Buyers will look at a \$60,000 kitchen and say it's a nice kitchen, but the owners could have spent \$30,000 on it and it would still look good, Bright says. Of course if they are not selling for 20 years and the renovation is purely for themselves then it doesn't matter.

Even though Australians appear to be holding on to property longer, owning a property for 20 years is still a rare occurrence, with most moving every seven or eight years.

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## NSW

Sydney's eastern suburbs:  
236 Military Rd,  
Dover Heights, \$6m-\$7m

THIS three-level, five-bedroom new home, owned and developed by builder Mark Andreatta of Galand Constructions and Sons, has harbour and city views and is serviced by an internal lift.

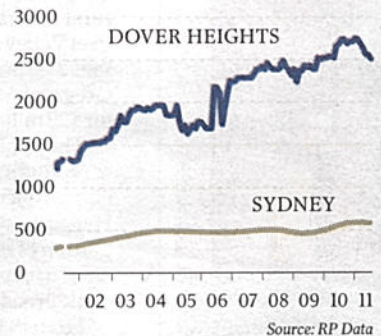
The home has four bathrooms, a main bedroom suite with walk-in wardrobe, heated marble bathroom and balcony, open-plan living areas with harbour views, a Calcutta marble kitchen with Smeg appliances, a butler's kitchen and a poolside media room with built-in wine fridge.

There is a saltwater pool with outdoor shower and a roof terrace with views.

There is also a CBUS home automation system, a security system and a four-car garage.

The listing agents are Shayne Harris and Adam Ross of Savills Residential.

### Median house prices (\$000s)



DOVER Heights in Sydney's east is among the most affluent suburbs in the city.

About 7km from the CBD, it is bordered by Vaucluse, Rose Bay, North Bondi and the ocean.

Some of its homes have views stretching to the Sydney Harbour Bridge as well as the ocean.

Researcher RP Data puts its median house price at \$2.52 million for July, down 1.9 per cent on the previous month and based on 48 sales.

By comparison, the broad median house price for Sydney generally was \$580,000, down 0.2 per cent on the preceding month.

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