

# Your Money

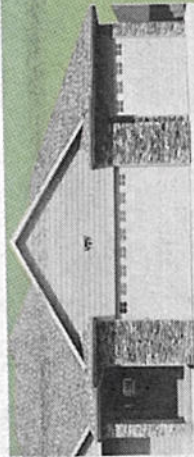
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New home sales dropped 3.5 per cent in October to an 11-year low, Housing Industry Association data shows



## CONSUMER

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# Renovators risk overspending amid slump

### Anthony Keane

A RUSH to renovate by property owners who don't want to sell into the flat real estate market is threatening to create a new set of financial problems.

Many people risk overcapitalising their homes and being disappointed when they eventually sell, says EPS Property Search director and author Patrick Bright.

"Those homeowners who have overcapitalised are being exposed more than ever, leav-

ing many at risk, particularly in areas where the market has softened quite significantly," he says.

"The number one 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, by overcapitalising on a renovation."

Recent government data has shown increases in renovation activity but declines in new home building starts amid falling real estate prices.

Growing numbers of renovators are opting to take a do-it-yourself approach.

New research from Canstar Blue shows 73 per cent of people are doing the majority of house painting themselves.

Generation X – those aged 30 to 50 years – are more likely to ditch professional painters, the research found.

However, fresh paint or more expensive renovations cannot insulate property owners from the broader market declines, with capital city

house prices slumping between 1.2 per cent and 9.1 per cent over the past 12 months.

Figures released last week by RP Data and Rismark suggest the national housing slump seems to be slowing, with capital city home values down 0.2 per cent in September.

"In the month of September there were wide divergences in the performance of the individual cities," RP Data research director Tim Lawless says.

"Seasonally adjusted dwelling values rose in Brisbane

(0.4 per cent) and in Adelaide (0.5 per cent). They were flat in Darwin and down just slightly in Perth (-0.1 per cent).

"After a big surge in home values in Melbourne over 2009 and 2010, the 2011 softening continued with dwellings down 0.3 per cent for the month."

Sydney values slumped 0.6 per cent in September but are the strongest nationally, up 2.9 per cent, while Hobart values dropped 4.8 per cent.

Bright says it is not unusual for people to be asking prices

10 per cent above their true value to try to cover the cost of their renovations.

"One tell-tale sign that a homeowner has overcapitalised is when you ask the sales agent how the vendor came up with the asking price," he says.

"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 to sell the property at that price."