



Renovators risk losing hundreds of thousands of dollars because reality TV shows about home improvement don't show the full costs, a Sydney-based buyers agent says. "The programs also don't show the hidden costs associated with renovating which quickly add up such as finance costs, holding costs and council fees," says EPS Property Search director Patrick Bright

roll on or rack

Deciding to sell up or stay put and renovate can be tricky, writes **Karina Barrymore**

RENOVATE or relocate? It's an age-old question, but despite the pros and cons of staying or going, the best decision ultimately hinges on that golden rule of real estate: location, location, location.

There's no point putting the polish on a property in a poor location. No matter how much you spend on a renovation, it won't compensate for a bad position, poor aspect or a neighbourhood from hell.

But for households already in, or close to, their ideal location, renovating wins hands down – tens of thousands of dollars in wasted buying and selling costs can instead be used to create the dream home you've always wanted.

However, a depressed and uncertain property market has thrown extra intrigue into the debate, according to accountant Geoff Steer.

"People who are relocators may have to settle for less when selling in this market and renovators need to be careful not to overcapitalise, with prices steady or falling in many areas," says Steer, a director with Matthews Steer Chartered Accountants.

"So if you're happy with the location you are living in, a good starting point would be to sit down and roughly work out the transaction costs involved in moving and then see what that will get you in renovating terms.

"It might end up that a small renovation could be done for less than the costs of moving."

Ultimately, however, the decision still boils down to location, Steer says.

"People should consider the future capital growth potential of the area they are living in, versus an area they may relocate to. This could have a big influence on your decision," he says.

"We are currently in a buyer's market, which may create an opportunity to move to a better performing location – provided you can get the right price for your existing property first and not be

stuck with two properties if your existing home does not sell."

However, lifestyle reasons are the usual trigger points for beginning the renovate or relocate exercise, and in most cases it's a desire for a bigger home that starts the ball rolling – such as starting or expanding a family.

The wish list of more room doesn't necessarily have to be justified with sound financial reasoning but it should still be given serious consideration.

Oracle Lending Solutions broker Tony Musolino says even if you are a "growing family", value for money will still be an important factor in your decision.

"If you are thinking of renovating, then it's important to have a clear understanding of whether the driving force behind the decision is one of short or long-term gain," Musolino says.

"Are you hoping that a renovation will increase the value of your house for when you sell in two to five years? Or are the changes for your own personal enjoyment?"

"In most cases, renovation is going to give you better value for your money, as long as you keep the costs under control and ensure that the changes you make will contribute to increasing the value of your property."

For example, if your home is worth \$350,000 and you can add \$100,000 to your mortgage, then your choices are selling and buying a new home, which will eat up about \$40,000 of your extra borrowings, or ploughing the full \$100,000 in to a renovation, the broker says.

But how do you know if your renovation will increase the value of your home?

"It's not an exact science but there are a few golden rules that will help," Musolino says.

"First, step back from your design and look at it with a critical eye. Bright red walls might be the perfect look for you but unique or exotic designs won't appeal to the average homebuyer.

"Renovations should be in a conservative style to allow the future homebuyer to be able to mould it to their taste without too much effort.

"Ideally the changes should contribute to the long-term benefit of the property, for example new kitchens and bathrooms are always a winner.

"Another tip is to look over your garden fence and see what the neighbours are up to.

"If your house is already considered one of the best in the neighbourhood, then the current value of your house is setting the top benchmark for the area and renovations are unlikely to be able to push this much higher."

Archicentre, the building advisory service of the Australian Institute of Architects, says there are three basic options people should consider when making their decision to stay or go: relocate, renovate or demolish.

But before getting down to the nitty gritty, location is still the key factor, Archicentre spokesman David Hallett says.

Before thinking about the house and what it has and doesn't have, make a checklist based on the location including such things as proximity to amenities such as schools, parks, public transport, shops and restaurants.

If it's ultimately a case of the "wrong place", then relocation could be the best option.

However, if it's the right place but the wrong house, then there are two choices, renovate or demolish – build a new home on the same site, he says.

Sometimes, building a new home can be better financially than doing a complicated renovation.

"With the current economic climate and relatively low interest rates, renovation or building a new home is an attractive financial proposition," Hallett says.

"The notion that a new home or renovation offers a brand new lifestyle also appeals to a wide range of people.

"However, renovation can be disruptive to family life, creating tensions, particularly big renovation projects, especially if the family is living within the renovation.

COMPARING THE COSTS

RENOVATE

Add two bedrooms and ensuite: \$85,000 to \$110,000
Two bedrooms, ensuite and extra living area: \$125,000 to \$165,000

RELOCATE

Based on a \$500,000 home
Agent's commission: \$15,000
Stamp duties: \$16,000
Advertising: \$5000
Moving costs: \$2000
Total: \$38,000

ASK YOURSELF THESE QUESTIONS

Michael Yardney of Metropole Pro

- 1 What are your plans for family, work and lifestyle?
- 2 What do you need in a home that you don't have now?
- 3 Is your current location suitable? If not, then where?
- 4 How much money can you afford to spend?
- 5 Can your existing home be renovated to meet your needs?
- 6 What are the estimated renovation costs?

Sources: Real Estate Institute of Australia

"On the other hand, it's extremely unlikely to find a new house that's perfectly functional or that doesn't require some kind of modification to it."

There are also hidden costs involved in both options, according to Steer and Musolino, and a buffer of about 20 per cent might be needed in either case.

Cost blowouts involved in relocating can include repairs to your old property before putting it on the market, estate agent fees, removal van hire, utility changeovers, new furniture or professional cleaning for your home.

Renovation blowouts can also involve unexpected building or structural problems and time delays, which may involve being without a kitchen or bathroom and force you to pay for meals out or takeaways, laundry or even temporary accommodation.

Steer also warns about the draw-