

## Home Renovation Cost Indicator Home Replacement and Depreciation Indicators

### Homesafe Group 2013 First Quarter Overview

The last six months of 2012 saw a modest increase in the volume of domestic construction, partly due to a boost in new homes with Victorian first home buyers taking last minute advantage of the first home buyer grant which finished last June. These projects are now nearing completion which may result in a decrease in homebuilding activity and more competition between home builders and between subcontractors. Commercial builders had been busy with education and health projects created under the federal government's stimulus packages, but these too have mostly been completed and there has been a significant reduction in new projects coming on line. Builders and subcontractors are reducing margins and prices to secure new work and this is likely to continue for the foreseeable future. The cost of local building materials has remained stable, but the high Australian dollar has resulted in imported materials and products such as plumbing and electrical fittings, flat pack furniture, whitegoods, air conditioners all dropping in price. With greater competition between builders and tradespeople coupled with stable or reducing materials prices, we expect that in the next six months new home prices should be stable or reduce slightly and renovation costs could drop by 5% to 10%, however with low interest rates, banks becoming more eager to lend again and increasing house sales prices in almost all states we could see increased activity followed by another round of building price increases towards the end of 2013. For people contemplating building or renovating, the first half of 2013 represents an excellent opportunity to obtain low construction costs and low borrowing costs.

### About These Cost Indicators

These cost indicators have been prepared from data provided by Homesafe Group architects ([www.homesafegroup.com.au](http://www.homesafegroup.com.au)) in conjunction with Quantity Surveyor Rodney Vapp and Associates Pty Ltd ([www.rodneyvapp.com.au](http://www.rodneyvapp.com.au)). They are intended as a guide only to assist prospective home buyers, renovators and builders to understand the likely costs of their home improvements. They should be read in conjunction with Homesafe Group's D.I.Y. Home Improvement Guide ([www.homesafegroup.com.au](http://www.homesafegroup.com.au)). More accurate costs can be provided by your Homesafe Group architect or by Rodney Vapp and Associates.

### Free Quarterly Cost Indicator Updates

For quarterly updates, simply log onto [www.homesafegroup.com.au](http://www.homesafegroup.com.au) and register. There is no cost.

## 1. Home Insurance Replacement Cost Indicator

Many Australians find their homes are under insured, particularly as construction costs increase and policies may have been in place with fixed replacement amounts for many years. Homesafe recommends that you review your replacement costs every 3 to 5 years to ensure that in the event of a fire, flood or other catastrophe that you will be able to rebuild a home of similar size and quality.

### 1.1 Home Size

If you know the size of your home (one square is 100 square feet, approximately 10 square metres) you can apply the rates in 1.3(a).

If you are unsure of the size of your home, an approximation of house sizes is as follows:

- Typical 3 bedroom home 150 sq.m
- Typical 4 bedroom home 180 sq.m
- Typical 5 bedroom home 240 sq.m

### 1.2 Standard of Finish

Homes may vary in replacement value depending on their design attributes and quality of finish.

#### Standard home:

Typical brick veneer or timber builder's project home. Painted plasterboard walls, 2.4m ceiling.

#### Quality home:

Timber or brick veneer home with design features such as cathedral ceilings, feature walls, upmarket kitchens and bathrooms.

#### Luxury home:

Brick or brick veneer home with high ceilings, top quality wall and floor finishes, luxury kitchens and bathrooms.

### 1.3 Home Replacement Indicators

a) Calculate the basic house value

	Size (m <sup>2</sup> )	Rate (\$/m <sup>2</sup> )	Value
Standard home		\$1,800	
Quality home		\$2,300	
Luxury home		\$3,800	

b) Add garages, carports

Single carport (15m <sup>2</sup> )	\$6,000
Double carport (35m <sup>2</sup> )	\$13,300
Single garage (15m <sup>2</sup> )	\$12,600
Double garage (35m <sup>2</sup> )	\$28,000

c) Add timber verandas and decks

Approximate area (m<sup>2</sup>) at \$160 per m<sup>2</sup> deck only

Approximate area (m<sup>2</sup>) at \$ 140 per m<sup>2</sup> verandah roof

d) Separately estimate the approximate value of sheds and outbuildings if appropriate, typically at \$200 to \$600 per m<sup>2</sup> depending on size, age and quality.

e) Calculate the approximate replacement value by adding a), b), c) and d).

## 2. Home Depreciation Indicator

Owners of investment homes may be able to claim depreciation on the property against their taxable income. This should be done by a quantity surveyor or other qualified building industry professional in conjunction with your accountant or tax or financial advisor.

Different components of the home are depreciated at different annual rates, the highest rates being for carpets, window coverings, some electrical components, white goods, hot water services, heating and cooling systems etc, carpet for example having a depreciation life of 5 years and the lowest rate being for the building structure itself, which is deemed to have a life of 40 years and is therefore depreciated at 2½% per year. However, homes built before 1985 generally cannot have depreciation claimed against them unless substantial renovations have been undertaken after 1985.

As an approximate indicator for those intending to purchase an investment property, the following guide may be useful.

### 2.1 Overall Home Value

Calculate this using the home replacement value indicator (1.3 above).

### 2.2 Structural Value

This generally represents about 70% of the overall home value and can be depreciated up to 40 years of age at 2½% per year, provided the home or substantial renovations were completed after 1985.

### 2.3 Finishes Value

These are curtains, carpets and other fabric type items which may deteriorate quickly. They are deemed to have a life of five years and can be depreciated at 20% of their value for a maximum of five years.

### 2.4 Equipment Value

White goods, hot water services etc these are deemed to have a life much shorter than the building and as such can be depreciated at rates given in the Australian Master Tax Guide

NOTE: For the latest taxation information rates etc it is prudent to contact your accountant and/or a qualified tax agent (this can be a Quantity Surveyor recognised as a tax agent)

### 3. Home Renovation Cost Indicator

Many people contemplating home renovations under estimate the cost of the works. This may be due to a lack of knowledge of current construction costs, a false sense of the savings that may be made by being an owner builder or failure to take into account necessary repairs or upgrades to the existing home.

This indicator has been prepared from input from Homesafe Group architects in conjunction with Rodney Vapp and Associates Quantity Surveyor and is intended as a guide to help prospective renovators estimate the likely value of intended renovations.

#### 3.1 Basic Parameters

Indicative renovation and extension costs can be calculated by the following process:

- Calculate the structural or "shell" cost of new construction on a square metre basis.
- Calculate the cost of kitchen, bathrooms and laundries and add these to the structural cost.
- Calculate the cost of upgrades which will be required to the existing part of the home. Typically rewiring, re plumbing and new guttering may be required. It is important to know the condition of your home so you can allow for all necessary repairs. Your Homesafe Group Architect can assist you with a professional assessment here.
- Calculate the cost of decks, verandas, garages, carports, etc.

#### 3.2 Structural "Shell" Costs (per sq.m)

##### Standard home

Typical brick veneer or timber extension.

Under 30m <sup>2</sup>	\$1,800 - \$2,700/sq.m
Over 30m <sup>2</sup>	\$1,200 - \$1,800/sq.m

##### Quality Home

Timber or brick veneer extension with design feature walls, bay windows.

Under 30m <sup>2</sup>	\$2,400 - \$3,500/sq.m
Over 30m <sup>2</sup>	\$1,600 - \$2,420/sq.m

##### Luxury Home

Timber or brick veneer extension with high ceilings, quality wall and floor finishes.

Under 20m <sup>2</sup>	\$3,620 - \$4,300/sq.m
Over 20m <sup>2</sup>	\$2,600 - \$3,900/sq.m

#### 3.3 Fit out Costs

##### Kitchen

Standard kitchen	\$10,320 - \$14,200
Quality kitchen	\$16,300 - \$25,600
Luxury kitchen	\$23,500 - \$36,600

##### Bathroom

Standard bathroom	\$10,100 - \$16,400
Quality bathroom	\$15,200 - \$23,100
Luxury bathroom	\$23,000 - \$36,200

##### Ensuite

Standard ensuite	\$ 6,100 - \$ 9,400
Quality ensuite	\$10,800 - \$15,300
Luxury ensuite	\$16,200 - \$24,500

##### Laundry

Standard - luxury	\$ 4,300 - \$16,300
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##### Powder Room

Standard - luxury	\$4,700 - \$15,500
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#### 3.4 Existing House Upgrades 150sq.m to 240sq.m existing homes

##### New Guttering

\$3,000 - \$4,200
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##### Rewiring

\$6,300 - \$9,500
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##### Re plumbing

\$8,200 - \$16,300
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##### Re roofing

concrete tiles	\$ 9,200 - \$15,400
terra cotta	\$11,400 - \$16,500
colorbond	\$ 7,600 - \$11,700
slate	\$18,300 - \$50,000

##### External re painting

poor condition	\$ 3,900 - \$ 5,500
good condition	\$ 2,800 - \$ 3,800

##### Internal re painting - per room

\$950 - \$1,300
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##### Window replacement (2 sq.m)

\$620 - \$1,400
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##### Rising damp repair (seek Homesafe Group Advice)

\$1,500 - \$5,000
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##### Underpinning cracked brick walls (per m)

\$860 - \$1,700 (per m)
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#### 3.5 Construction Add Ons

Calculate the approximate cost of carport, garages, verandas using 1.3 b), c), d) above.

On a relatively flat site with good soil add percentage add allowance for external works and services to cover fencing, paths, driveways, landscaping, hydraulic services. Electrical and gas – for budget purposes for building works up to \$150K add a nominal allowance of 20% to 25%; for building works from \$150K to \$500K add 15% to 20%; over \$500K add 10% to 20%

Adjustments will have to be made to the above percentages depending on site conditions such as soil condition, slope of site and accessibility to the work site etc.

### 3.6 GST, Professional Fees

You will need to add 10% GST to your estimate. You may be able to claim some of this back depending on your personal taxation structure and the nature of your renovation. Your accountant or taxation consultant can advise you of this.

You will also need to make an allowance for architects, structural engineers and possibly other design consultants fees and for building and possibly development approval fees. These would typically be a total of 10% to 12% up to the stage of completed working drawings.

### 3.7 Regional Differences

Construction prices vary from city to city and are generally more expensive in rural areas. Using Sydney construction prices as a base, capital city adjustments are approximately as follows:

Melbourne	-1%
Brisbane	+4%
Adelaide	0%
Perth	+5%
Hobart	0%
Rural areas	+5% to 15% depending on distance from major cities

### 3.8 Total Cost Structure

The approximate cost structure of new homes and renovations is as follows:

Materials	40%
Labour	30%
GST, taxes, fees, permits	20%
Builders profit margin	10%

### 3.9 Owner Builders

For people considering being owner builders, savings may be made in labour costs and builders' profit margin, although plumbing and electrical work must be done by licensed contractors.

Owner builders may not obtain the same trade discounts as builders, so a premium of 5% to 10% on materials may apply.

### 3.10 Home Safety

Homesafe Group is committed to making all Australian homes safer by design. Refer to the Home Improvement checklist at [www.homesafegroup.com.au](http://www.homesafegroup.com.au). The items listed in the Home Safety Design part of this checklist will add little or no cost to your home improvement project, but they will make your home far safer for your family, visitors, tradespeople and future owners of your home.

