

**HERRON
TODD
WHITE**

Month in Review

RESIDENTIAL PROPERTY

August 2021



A message from our CEO

Month in Review
August 2021

A primary method for overcoming the anxiety of uncertainty is to source reliable information.

A primary method for overcoming the anxiety of uncertainty is to source reliable information. Gathering the facts from experts in their field, studying their analysis and understanding the outcomes allows us to draw our own fully informed conclusions. This approach can be applied across most spheres of interest, but it is particularly prudent when it comes to property market analysis, especially in the current climate.

Many people have concerns about the coming months and years as we grapple with the financial fallout from the pandemic, but I've taken heart in research delivered by trusted industry sources, and our own experts. Here we are, some 18 months into the pandemic and there's cause for optimism about our nation's property sector. Analysis by our valuers aligns closely with several other sources. They suggest, for example, that the impact of the current Delta outbreaks on house prices has been minimal, with any softening unlikely to affect long term growth trends.

These conclusions are well-founded with economists noting double-digit price gains across 2021 - some markets are even predicted to see an upswing of 20-plus per cent for the year. And while it's expected capital gains will moderate to some degree in 2022, they're still anticipated to remain above the annual long-term average.

While we clearly operate in uncertain times this collation of information is cementing my positive long-term outlook for Australian real estate. It's an asset class of resilience and opportunity.

This month's Month In Review also delivers readers the best possible market information.

In the residential section, our teams examined their service areas through the lens of renovation. Their observations and tips are essential for anyone looking to tackle a property upgrade of either their home or investment.

Among the findings this month are:

- All markets - rising costs and time blowouts are universal challenges for renovators;
- NSW Central Coast - dual occupancy upgrades are gaining favour;
- Brisbane - builder-led renovations are attracting high-end buyers.

Please enjoy this latest edition of Month In Review.

Gary Brinkworth



CEO

The renovation revolution

When you look across the Australian residential property landscape, there's no doubt we love swinging a hammer and wielding a paint brush.

Renovation is a rite of passage among homeowners. Who hasn't wanted to stand back and admire their handiwork, convinced our sometimes-meagre efforts will yield a vast uptick in liveability and equity?

So, while renovation activity has been well established over decades as a pastime for real estate owners, recent years have upped the ante. Since late 2020, renovation activity has been a hot prospect among Aussies. Multiple factors, including government stimulus and low interest rates, have delivered stellar conditions for those wanting to tackle a fixer upper.

In addition, long weeks spent locked down have resulted in itchy trigger fingers for those with a spray paint gun, and it's not just to relieve the boredom of confinement. Extended periods in our homes have revealed their shortcomings. There are, in particular, millions of suburban and city residents who've discovered just how small their abodes can feel. They want to improve their lot, and renovation is the path out.

This month, our residential teams dig deep and discuss the renovation revolution across their regions. They reveal the property types, price points and suburbs where activity is most lively. Our experts also analyse what kinds of projects are yielding the best results.

While there's obviously a wealth of information among these pages, there's even greater abundance of local knowledge ready to assist you. Just go direct to the source and contact your nearest Herron Todd White team.

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National Property Clock Houses

Entries coloured orange indicate positional change from last month.

Month in Review
August 2021



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National Property Clock Units

Entries coloured blue indicate positional change from last month.

Month in Review
August 2021



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New South Wales

Overview

Construction has certainly ramped in residential property markets across the country over the past 12 months, and a large proportion of this activity has been in the renovation space.

This month, our teams look at the renovation revolution sweeping our nation. Not only do they identify where activity is heightened, but also set out their 'dos and don'ts' of successful renovation projects.

Sydney

Since the COVID-19 pandemic began, homeowners have had the time to consider whether their dwelling really suits their current way of living, be it working from home, home schooling or just spending more time indoors with the entire family. The question has been whether to renovate or move.

For many people, it's a no brainer; being locked up in a small unit dreaming of a backyard and a dedicated study room, this crowd will be drawn to buying a dwelling that will suit their needs.

The other camp is the established homeowner who does not want to move given the proximity to services, schools and family and is willing to complete a renovation to get the house exactly how they need it for now and into the future. They might now require a dedicated home office, kids' study area, an extra living room or another bathroom.

Homeowners can do this by using existing savings or refinancing and accessing equity in the dwelling to fund the renovation.

Western Sydney

Established suburbs in Western Sydney are prime for the renovator market. Larger blocks and cheaper land allow for more options when deciding to renovate.

This example of three dwellings in South Penrith highlights the importance of knowing your market to ensure you get the best possible return.

Property 1 is a four-bedroom, one-bathroom brick dwelling with a dated interior in fair condition overall. A property prime for renovation, it sold in May for \$783,000.



Property 1, South Penrith

Source: PriceFinder

Property 2 is a similar four-bedroom, one-bathroom brick dwelling that has been fully renovated and presents well. This sold in May for \$840,000.

This shows a difference of \$57,000 which is not a huge amount given the work involved in renovating.



Property 2, South Penrith

Source: CoreLogic

Property 3 is a similar aged five-bedroom, three-bathroom dwelling on a similar parcel of land. This sold in June for \$1.009 million.

This shows a difference of \$226,000 from the dated four-bedroom dwelling which might yield more profit than just updating the existing dwelling. The addition of an extra bedroom and two bathrooms on top of a full renovation elevates this property into a new class as buyers and valuers alike are comparing this property to other five-bedroom house sales around.

Month in Review
August 2021



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This example of three dwellings in South Penrith highlights the importance of knowing your market to ensure you get the best possible return.



Property 3, South Penrith

Source: CoreLogic

Given the large amount of new construction around the Western Sydney growth precincts, the availability of quality tradespeople is limited as they are held up on larger job sites.

In addition, the pandemic has impacted the supply of materials into Australia, resulting in higher prices for raw materials being pushed onto the consumer.

Given the higher costs now associated with renovating, renovators should ensure they analyse currently renovated properties that have sold to ensure they are not overcapitalising. This is of most concern to investors and house flippers as it is dead money that could have been used elsewhere. For owner-occupiers, this is less important as any overcapitalisation should be absorbed over time as the market improves.

Blue Mountains

The Blue Mountains has experienced a strong increase in the number of renovation projects over the past 12 months. Initially fueled by the New South Wales home builder grant scheme, the tightly held market conditions are now resulting in an increase in renovation projects. Put simply, there are very limited numbers of property on the market and it has become easier and often cheaper for owners to extend or

Costs and building time frames are definitely increasing, particularly in this space where private builders are competing against larger project home companies for materials and labour.

renovate than sell and upsize. The strengthening market and rise in values in the past 12 months can mainly be attributed to the competition for listings from Sydney based buyers moving to the region. This has resulted in existing residents finding it difficult to upsize in their own village, therefore many are choosing to extend and renovate. By doing this, children are able to stay in the same school and school catchments and existing proximity to services, transport and amenities is maintained without the requirement to compete in such a strong and tightly held marketplace.

Costs and building time frames are definitely increasing, particularly in this space where private builders are competing against larger project home companies for materials and labour. This, however, has yet to slow down the rate at which renovation projects are occurring. The Blue Mountains region is notoriously expensive for construction works given bushfire and other council regulations even in more normal times. Given these projects are being undertaken by medium to long term residents, these challenges are well known in the marketplace and are less of a deterrent than in other geographical locations within the wider metropolitan Sydney area.

An example is a project undertaken in Blaxland, where the owner acquired the circa 1960s dwelling in early 2016 for \$490,000. The home was extended and renovated in 2020 from its traditional three-bedroom, one-bathroom floorplan to a four-bedroom, two-bathroom

floorplan, thus providing new bathroom, living areas, kitchen, laundry and deck. This sold in excess of \$1.4 million in July 2021. Comparable circa 1960s three-bedroom, one-bathroom dwellings pre-renovation are exchanging in this immediate location in the high \$800,000s to mid \$900,000s at the moment, further underpinning the feasibility of renovating rather than selling and upsizing.



A Blaxland house before

Source: PriceFinder



A Blaxland house after

Source: PriceFinder



South-Western Sydney

Renovation activity in the south-western property market has been on the up in the past 12 months. However compared to other Sydney markets, the relatively low price points generally will see owners upsize to a larger modern home in one of the many new estates rather than undertake substantial renovations.

Whilst moving to a larger more modern house seems to be a favourable option, there are still many reasons that owners and investors choose to undertake renovations.

COVID restrictions have played a big part. With people finding themselves more confined to their homes, they are finding they have more time and money to start a project that has been in the pipeline for many years. From painting the kids' bedrooms to installing a pool, these projects are coming in all sizes and budgets.

The south-west is a popular family market, so when the dwelling no longer meets the needs of the occupants, instead of uplifting and moving which people can find to be an inconvenience, owners are instead extending homes, be it in the traditional sense of a first-floor extension or a secondary living space such as a granny flat.

Investors on the other hand are looking to attract a higher rent (or second rent if adding a granny flat) or to add value to their property for a sale.

Before embarking on any substantial renovation project, ask yourself what your goal is. Are you committing long term to the house or are you looking for a quick uplift in value to sell the property? This will help set the bar on how big and costly the renovations will be. Do your market research to ensure you are not overcapitalising as this is dead money and obtain at least three

independent building quotes from reputable builders.

Overcapitalisation is a larger concern for investors than owner-occupiers who are generally committed to the property for the long term, so any potential overcapitalisation could be overshadowed by the increased amenity of the dwelling and any shortfalls should be absorbed in the medium to long term with property growth.

Northern Beaches

Record low interest rates, a booming residential market and government incentives have created a strong opportunity for renovations across the board. ABS reported that lending for new home building hit a record high in November 2020 and home renovation-related lending was up 47.4 per cent in January 2021 compared to the same time last year. Add the 120,000 HomeBuilder grant applications and this all underlines how strong and active the renovation sector is at the moment (domain.com.au).

Renovating is a very popular option on the Northern Beaches, as families would prefer to remain in their established communities but may have outgrown their existing homes. The strong housing market has also made buying and selling competitive, difficult and expensive.

Flipping houses is relatively popular and professionals who bought prior to 2021 would have had strong success selling in the current market. We have noticed the resounding strength in the entry-level market has closed the gap and margin levels between renovated properties. We would be mindful of factoring in similar growth expectations and creating a profitable level of capital.

A notable success story is 21 Arnott Crescent, Warriewood. The property originally sold in

February 2020 for \$1.94 million, subsequently underwent a cosmetic renovation and resold in March 2021 for an incredible \$3.15 million.



21 Arnott Crescent Warriewood before

Source: CoreLogic



21 Arnott Crescent Warriewood after

Source: CoreLogic

Our top tips for potential renovators include:

- Look into a complying development application as opposed to a council DA - this can save you both time and money in the approval process.
- Keep it simple, limit unnecessary works (particularly works that aren't visual to buyers) and create a property that will appeal strongly to the owner-occupier market.
- Ensure you have strong market knowledge and have benchmarked the property you are looking to create against recent sales in the area.

Month in Review
August 2021



RESIDENTIAL

North Shore

As with most areas across Sydney, the North Shore market has benefited from very strong recent growth over the past 12 months. Although this has been welcome news for property owners in these areas, it does have the consequential effect of raising the transactional costs of a possible move for owners wanting to remain in the area. The old adage of buying and selling in the same market rings true at the current time, with constantly reported record sales prices flooding your letterbox from local selling agents.

This, in conjunction with a lack of supply and purchasers' fear of missing out, has made the concept of a possible move risky and unappealing. Therefore, many homeowners have decided to improve their current homes through renovation and extension projects. Renovation activity on the North Shore appears to be very strong, with both large scale and smaller projects currently being undertaken.

The high-end prestige market on the North Shore has led the way with market growth over recent months and this sector appears to be leading the way with spending on renovations. It was recently reported via domain.com.au that the affluent suburb of Mosman, on Sydney's Lower North Shore, had the greatest amount of spending on renovations for any suburb in Australia at approximately \$87.2 million over the past 12 months. Also on the Lower North Shore, the suburbs of Willoughby, Castle Cove and Northbridge combined spent \$56 million on renovations over the past 12 months, the second highest figure for suburbs in New South Wales.

Although the majority of these renovation projects are likely for personal upgrading purposes, there is certainly potential for significant added

value through completion of these works. As an example of this, a property on Mosman's Balmoral Slopes was purchased in 2015 for \$5.85 million and underwent a full, high quality renovation. This property recently re-sold for \$13 million (domain.com.au). Obviously there has been very strong market growth during this period, but the renovations have certainly contributed significantly to this recent sale result.



Bathroom before

Source: CoreLogic



Bathroom after

Source: CoreLogic

High activity in renovation projects on the North Shore has now led to increased waiting times for contractors to undertake these works. This supply and demand imbalance will of course lead to increased building costs and this has already been

witnessed by valuers working in the area sighting building tenders for the purpose of on completion valuation assessments.

Southern Sydney

Based on conversations with our valuers on the ground in this region, it appears that renovations have slowed down slightly in recent months, particularly due to the most recent lockdown restrictions from July.

The government's introduction of various stimulus and home building grants spurred owners to renovate, although as stated above, there surprisingly hasn't been as much renovation work happening in more recent months. The local market is more geared towards the construction of new homes at a higher scale, build cost or level of finish. The other obvious reason for this slowdown is due to recent lockdowns and uncertainty. Property prices have increased significantly in a short period of time; as such it is likely that many new purchasers have exhausted their funds in acquiring the property.

Most renovations appear to be carried out on owner-occupied properties. Whilst this can be attributed to a number of reasons, the major catalyst appears to be the fact that people are spending more time at home, particularly working or studying. With the strong market growth in the past 12 months, many owners have advised us they believe it is cheaper and less stressful to renovate their existing home rather than go through the process of selling and then purchasing a completed home.

Renovations can still be profitable however it is important that people conduct their due diligence and extensive research before carrying out these projects. It is also important to remember that the property market can change in a relatively

Month in Review
August 2021



RESIDENTIAL

short period of time so this must be factored into decisions.

Older properties with enough land for alterations and additions or potential granny flat developments tend to be most suited to renovation projects. These properties however attract a premium price for this reason. We have also seen a notable price difference between original and renovated villas or townhouses.

Our top tips for renovators:

- Buy property at entry level price points and in original condition, preferably in a good location.
- Compare the market between original products and recent sales evidence for renovated property.
- Shop around for many quotes and prices to renovate.
- Run your numbers to determine if your investment is feasible.

143 Napoleon Street, Sans Souci sold in March 2019 for \$968,000 and was extensively renovated before recently selling in May 2021 for \$1.901 million.



143 Napoleon Street, Sans Souci before

Source: CoreLogic



143 Napoleon Street, Sans Souci after

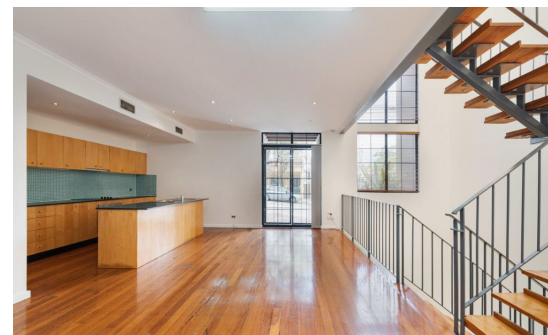
Source: CoreLogic

Inner West

Renovations have been at a steady rate across the inner west over the course of 2021. From our conversations with builders and homeowners, construction times are being delayed due to the COVID-19 pandemic, as delays on materials are becoming an issue for a majority of renovations.

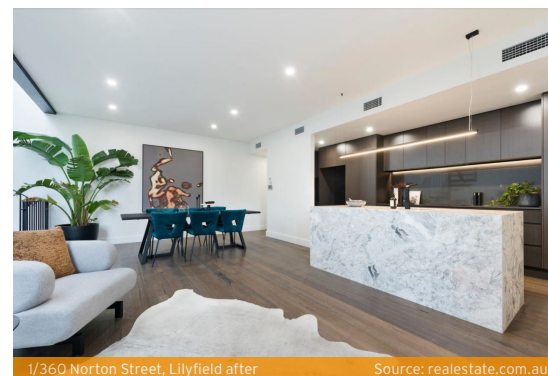
Generally from our experiences, many homeowners feel that given the low interest rate environment and restrictions on travel, they have the time and money to complete a renovation to their family home. In saying this, there have also been examples of properties being renovated to generate a profit and these have generally resulted in a strong profit given the rampant pace of the market in the inner west over the course of the past nine to 12 months.

An example is a townhouse at 1/360 Norton Street, Lilyfield which sold for \$1.335 million in December 2020, renovated and then resold for \$1.89 million in June 2021.



1/360 Norton Street, Lilyfield before

Source: realestate.com.au



1/360 Norton Street, Lilyfield after

Source: realestate.com.au

We have also observed that properties ripe for renovation, particularly freestanding or semi-detached dwellings in good locations, are being snapped up by savvy builders looking to complete a small project which will enable them to flip it for a profit while the market is still strong. The prices being paid for these properties requiring renovation are considerably higher than what they were six to 12 months ago and there is the risk

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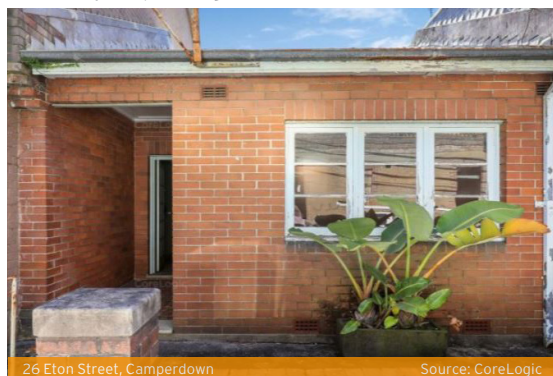
Month in Review
August 2021



RESIDENTIAL

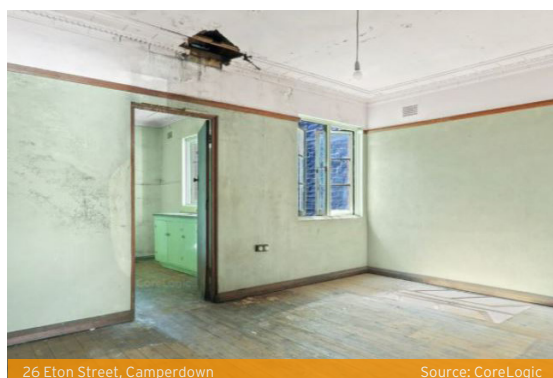
that if market conditions softened or if renovation costs were to blow out, it would quickly eat into any potential profit margins.

26 Eton Street, Camperdown (below) sold in May 2021 for \$1.62 million at auction with multiple registered bidders. Our conversations with the selling agent indicate that most bidders were builders looking to renovate and resell for a profit. The property is currently uninhabitable and requires a complete renovation. The property is small and comprises only one bedroom and there is currently no parking.



26 Eton Street, Camperdown

Source: CoreLogic



26 Eton Street, Camperdown

Source: CoreLogic

The previous property to sell on the street was a superior updated dwelling at 8 Eton Street

with superior two-bedroom accommodation and parking, however this property sold for slightly less in February 2021 at \$1.6 million.

Inner Sydney

Renovation activity within inner city Sydney has been strong in recent times. Due to the established nature of the area, there are many older style dwellings which require updating to bring them in line with modern lifestyle and market expectations, whether this be attic conversions in terrace dwellings, ensuite additions or extensive re-build work.

Renovations have always been popular in inner city Sydney and this has not changed in recent times. The pandemic has altered the way people use their homes, with many people realising they need more space and deciding to extend.

With the majority of inner-city houses comprising terrace dwellings, renovations are widespread as these (often 100-plus years old) properties require maintenance and modernisation.

Renovations in the inner city are costly, with basic additions and renovations often starting at \$400,000 and significantly increasing from there. The reason for this is that access and parking is often restricted and single-fronted attached terrace properties (with a frontage of circa five metres wide) sometimes having no side or rear access, meaning that all materials must enter the site through the front door! Furthermore, structural work on attached dwellings must be treated with care so as not to disturb neighbouring properties.

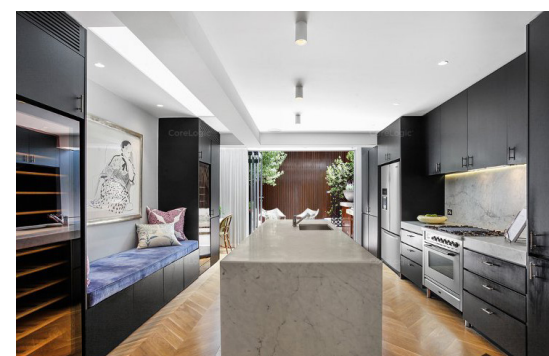
As a result of the high cost of works, a premium is often attached to renovated dwellings within the inner city. In February, 33 Surrey Street, Darlinghurst, sold for \$3.25 million, being a fully renovated four-bedroom, two-bathroom terrace

dwelling with a single car space. In March, 31 Surrey Street sold for \$2.65 million, being a tired three-bedroom, one-bathroom terrace with two car spaces. Elsewhere in the suburb, 238 Liverpool Street, an un-livable three-bedroom, two-bathroom blank canvas terrace sold for \$1.808 million at auction in March, although situated on a slightly smaller allotment.



33 Surrey Street, Darlinghurst

Source: CoreLogic



33 Surrey Street, Darlinghurst

Source: CoreLogic

Renovations are feasible for all price points and locations in the inner city due to the almost non-existent supply of new properties. Due to the cost of materials and labour, care should be taken with regard to cost as overcapitalisation can be a very real risk in these areas.





Significant renovations and additions are largely confined to homeowners due to the cost of completing such work. Investors are more likely to complete more cost-effective updates such as paint, floor covering or kitchen updates and carry out structural works and additions far less often.

Flipping is not a concept that is overly profitable in the inner city. This is due to the high cost of entering the market, with stamp duty and capital gains taxes eating into gross profits to such a point that it is rarely feasible. As mentioned previously, the high cost of completing such works further squeezes the profit margin.

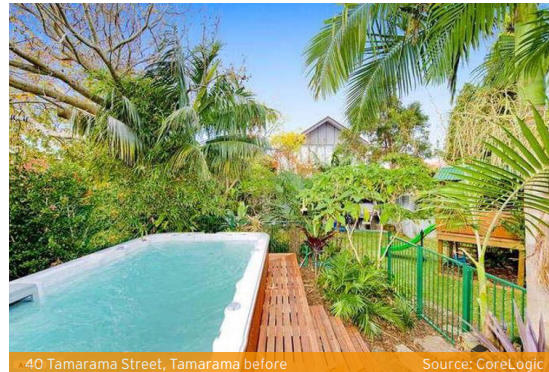
Our top tips for renovators in the inner Sydney area include: adding parking where possible; adding a second full bathroom to terrace houses; and simple landscaping - terrace houses don't have much outdoor area at the best of times, so make what is there usable with simple, soft landscaping or decking.

Eastern Suburbs

The eastern suburbs is an established region of Sydney where renovations and extensions are far more prevalent than new builds. Whilst many properties in this region were above the value threshold for the HomeBuilder grant, this hasn't stopped the renovation boom in this part of Sydney. Over the past 12 months it would be difficult to find too many streets in the eastern suburbs without scaffolding up on at least one house or unit complex.

With lifestyles and spending habits thrown upside down in the past 18 months (and for the foreseeable future), property owners not only found themselves working more from home, but also holidaying more at home, with overseas trips a distant memory. This has resulted in additional time and financial means to get that long planned renovation underway.

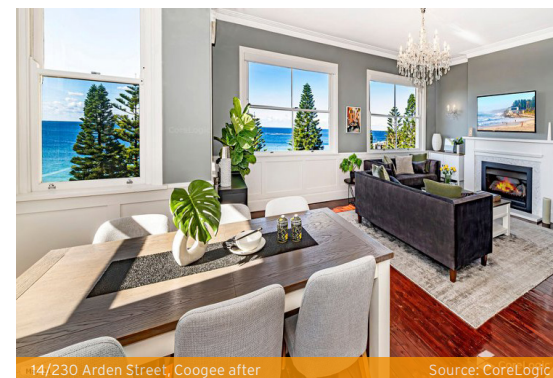
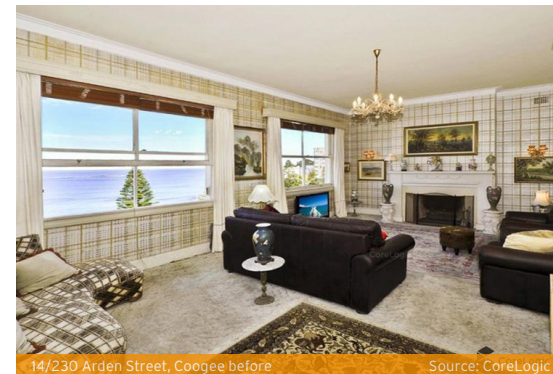
Renovations can range from small end projects, such as painting or new flooring, up to high scale extensions and renovations with very high quality finishes. An example of the latter was highlighted in the sale in June of a Tamarama home which had undergone a significant recent renovation including a new swimming pool. The property achieved a result of over \$7 million, after previously selling unrenovated in November 2012 for \$2.3 million.



Whilst most people think of houses when discussing renovations, in an area like the eastern suburbs, with unit buildings dating back over 100 years, there are opportunities for unit owners to

significantly enhance the livability and value of their property.

A unit opposite Coogee Beach at 14/230 Arden Street sold in June for \$3 million. The top floor, three-bedroom, one-bathroom Art Deco unit had undergone a complete internal renovation after previously being purchased in dated condition for \$2.26 million in September 2016.



The other consideration for unit owners is the common parts of the building. Older buildings can see a significant uplift in value from works such as the building façade, entry foyer and staircase and landscaping. Some complexes with small or no balconies have also used the opportunity of

a building refurbishment to add larger and more usable balconies which greatly increases the marketability of these units. Of course, getting these works up and running will also depend on the willingness and financial capacity of other unit holders within the complex and often leads to these projects being delayed or abandoned all together.

Shaun Thomas
Director

Lismore/Casino/Kyogle

The lure or even the thought of a renovation project can be rather daunting and, unfortunately, sometimes expensive (if not done well or not judiciously vetted).

Rather than fork out significant dollars to acquire land and build new where the total cost could easily exceed \$550,000 within the newer residential estates of Goonellabah or circa \$450,000 plus in Casino or Kyogle, the alternative of acquiring an established dwelling and completing a full or even partial renovation at a considerably lower cost compared to a new build is proving to be attractive.

With interest rates now at record low levels, i.e. below two per cent, there are a number of opportunities that could potentially feature in the minds of investors, developers, first home buyers and upgraders. Cost is naturally going to be the key ingredient in decision making and the resultant end value of the final product.

For example, a large, tired, circa 1980s brick and tile residence in Goonellabah was acquired by a young enterprising couple (first home buyers) who saw the potential in exploiting the excess

floor space and carrying out an internal refurb which resulted in a dual occupancy. So, not only do they have a place to call home, but also additional accommodation that can be rented from \$450 to \$500 per week plus in a tight rental market.

A lot can be achieved with a budget of less than \$75,000 for an updated kitchen, bathroom, ensuite, general painting and floor covering, although, we do stress that costs have been rising in the past 18 months and tradies are becoming a rarefied species to locate given the plethora of building work available to them.

Provided the renovation work is emphasising the more positive features already there or introducing new features that buyers desire (do your homework for the areas you wish to invest or live in as each locality is different), then the cost spent should translate to some appreciable capital gain in the current market.

However, the trick is not to overcapitalise. A good option is to seek out a large home with only two bedrooms but a large living space. Cut the living room to provide a third bedroom and the rental would naturally improve to reflect that of a three-bedroom home.

From a conservative perspective, the purchase of an established house with opportunities to renovate would be a more viable option and purposeful stepping-stone to something brand new in the future without the millstone of a large debt around the neck.

There are land and house packages available today which are competitively priced but, in most

instances, are still above the expected price for an established older home. The established house provides the opportunity for the owner to put their stamp of identity on the renovation project whereas a house and land package is simply what you see is what you get-any subtle changes to the design could see a significantly increased potential sale price for the established home.

In summary, well priced and thought-out renovation projects for profit are a very feasible option in the current market for Lismore City, Casino and Kyogle. If not selling, then the uptick in the rental level resulting from the renovation project is also a bonus.

Vaughan Bell
Property Valuer

Ballina Shire

The COVID pandemic appears to be becoming more of an issue when it comes to free travel around all states. The impact on the local housing market around the coastal areas of Lennox Head to Evans Head is yet to be fully realised and with the border to Queensland being restricted yet again, the impact could again make the market go either way. There is currently still a very strong demand for properties which in turn has continued to leave agents with a limited supply of properties for sale, however agents are reporting a slowing in enquiries for higher value houses. Whilst demand resulting from the capital city markets has typically been concentrated in the more desirable areas of Byron Bay and surrounding localities, in more recent times potential purchasers have expanded their searches into the desirable areas of the Ballina Shire, most notably Lennox Head, Skennars

Month in Review
August 2021



RESIDENTIAL

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Head and East Ballina, as well as the rural localities of Newrybar, Brooklet, Fernleigh and Tintenbar.

The flow on effect of the higher prices has now left people in the rental market in a bad situation. The higher rental prices being asked in these small coastal towns is causing many businesses to struggle to find employees willing to work for minimum wage. The demographic shift which has occurred on the North Coast due to prices continues with many of the younger generation having to relocate to inland areas due to significant increases in both property values and rental prices.

Bernard Walter
Property Valuer

Byron

To renovate or not has always been a topic of discussion around the barbeque or water cooler and the spike in property values brought on by COVID-19-related migration to the Northern Rivers has added a fresh dynamic to the debate in the Byron Shire.

The choice to renovate or relocate is balanced by the underlying supply and demand of property in the area. In some circumstances in the past, it was debatable whether it was better to spend big on a renovation project or to purchase an already updated house. However, in the current tightening market where house and unit prices have reached all-time highs with little or no available stock, the option to renovate an existing dwelling compared to relocating is becoming more viable and in some cases, necessary. In the current market, many homeowners who purchased before the current boom are in the enviable position of having large amounts of equity in their properties and a low interest rate environment. This has opened up a range of value adding renovation projects and lifestyle options for homeowners who choose to

It comes down to the owners exercising sound judgement and not just being one of the sheep and following the herd.

stay put rather than go for an upgrade.

The Byron Shire has seen its fair share of renovation projects in the past 12 to 18 months. These have ranged from an updated kitchen or bathroom to almost full rebuilds. In addition, there are the swimming pools and numerous studios and granny flats for extended families or extra income as well as the alfresco add-ons (or patio, for those of us born before 1980).

Making the most of a renovation budget in the Byron Shire is a matter of reading the market to some extent such as understanding what buyers are looking for and what styles are on trend, but also to consider the merits of what needs to be done on individual houses or units. Some properties could do with a reconfiguring of their floor plans to improve flow, while others may be crying out for a new kitchen or an extra bedroom. It comes down to the owners exercising sound judgement and not just being one of the sheep and following the herd.

Additionally, whether to renovate or not, or more importantly, what to renovate and how much to spend, will vary as to whether or not you are renovating an investment property or an owner-occupied property.

If renovating an investment property, the budget is far more important as the money spent must be justified by the increase in value and rental income achieved. However, if renovating an owner-occupied property, there is the added dynamic of lifestyle. After all, a house is to be lived in and enjoyed as well as being an investment, so is it okay to be a little extravagant with a fancy kitchen or luxury ensuite and run the risk of over-capitalising?

Perhaps it is if you are willing to run that risk and accept some downside later on at the point of sale.

Like all things in life, it's a matter of choice and achieving balance.

Mark Lakey
Property Valuer

Clarence Valley

Across the Clarence, the construction industry continues to power ahead - new builds, renovations, extensions, pools, sheds and more! Amid the world struggling against the ramifications of COVID and endeavouring to settle into a new normal, people are valuing home more than ever, so why not make it nice.

Renovations seem to be occurring all over the region, however given the older nature of more character homes in Grafton and Maclean, these locations are particularly busy. Also, the lower median price of \$365,000 is appealing in the Grafton area for instance.

This renovator momentum seems driven by low interest rates and the desire to live and work close to or from home and of course the decentralisation of the broader population.

While of course there are challenges, the upmost challenge appears to be the age-old tug of war between supply and demand. With such an increase in new builds as well as renovation works, wait times are noticeably increasing.

In terms of attached housing, the median unit price in Yamba has increased almost \$100,000 over the previous twelve months, that is, approximately 20

Month in Review
August 2021



RESIDENTIAL

per cent. Whilst certainly renovations are occurring, often at these inflating prices, we are noticing renovations being put on hold or undertaken on a smaller scale.

Across the entire region, the Clarence Valley is seeing a healthy period of rejuvenation.

Caitlin Davies
Property Valuer

Coffs Harbour

To renovate or not to renovate, that is the question. Going by the amount of activity in Coffs Harbour, I think the answer is renovate at all costs. We have seen a significant uptick in renovation works since the onset of COVID and the government incentive package aimed at the construction industry. Anyone who was thinking about that major extension, renovation or new build for that matter has jumped on the bandwagon. The result is that construction cost and time have increased considerably and there is a shortage of materials countrywide. These factors, in my opinion, have outweighed the \$15,000 incentive currently being offered by the government. To that effect, from personal experience, these incentive packages have benefited owners who had already started or were well into the building process rather than increasing new builds or renovations. The explosion in renovations has been driven by the increasing equity in property values and cheap cost of money coupled with the fact that most of us are now not spending money travelling but instead are investing in our homes to enhance our lifestyles.

The problem with this in regional locations such as Coffs Harbour is the shortage of builders and tradies to undertake this work. We are hearing stories of up to two year wait times for some builders and landowners who cannot get new homes constructed.

We are also seeing an increase in cost plus contracts as opposed to a fixed price building contract which is most commonly used. As material prices rise sharply due to market pressures, builders are finding their profit margin diminishing. Typically by the time a fixed price contract is quoted and signed, it may be six to nine months or longer before the build starts, especially if council approval is required. Over this period, material prices increase which is borne by the builder under a normal fixed price contract. If the builder has multiple constructions on the go, this becomes an issue.

To overcome this, the builder has two options: build a clause into the fixed price contract passing on any material price increases; or go to a more flexible cost plus contract. The problem we often encounter with the cost plus type of contract is that there is no finish line. Although a building estimate is generally provided, it is a variable beast and in our experience rarely comes in on budget. Again the problem from a valuation point of view for mortgage security purposes is that without a definitive cost base and progress payment schedule, it is problematic to: a) assess the value as if complete; and b) undertake progress inspections with the cost of work varying mid-build, including possible additional cost associated with quantity surveyor reports.

These are the negatives of the current COVID market with regard to renovation. On the positive side, the risk of over-capitalising is very low. As prices rise, it is the underlying land value which increases. Yes, build costs have risen but when we are talking 30 per cent market value increases in 12 months, it is the land which absorbs these value increases.

There is no particular type of property which is being renovated, rather the whole gamut. We seem to have an insatiable appetite for improving our homes which may reflect the increased time we are now spending in them.

Grant Oxenford
Property Valuer

Newcastle

Home renovations may be the most romanticised aspect of owning or buying a home. The thought of buying a neglected home and restoring it to its former glory and selling it to a nice family is almost a staple of Australian culture. The reality of renovations is much more complex. Aspects such as who is renovating, where you are renovating and the availability of trades and materials can dictate whether renovating is feasible or not.

In terms of renovation activity in the Hunter region, it is best to look through two lenses: costs of purchasing and costs of the works to be completed. In speaking with building companies, especially those who specialize in renovations, the general consensus has been that owner-occupiers dominate the majority of their work. The biggest players are families with young children looking to expand to a bigger home to accommodate their growing family. As local agents have expressed, instead of fighting it out in a hot market, they can extend their current home in the area they like for the same total amount as buying a larger dwelling. Younger

Month in Review
August 2021



RESIDENTIAL

We seem to have an insatiable appetite for improving our homes which may reflect the increased time we are now spending in them.

Areas such as Islington, Tighes Hill, Georgetown and Mayfield which have seen land values soar are becoming hot spots for renovation and extensions.

buyers who have been priced out of the market are opting to build further out in areas such as Fletcher and Marks Point.

Location is also playing a large role. Areas such as Islington, Tighes Hill, Georgetown and Mayfield which have seen land values soar are becoming hot spots for renovation and extensions.

Homeowners looking to downsize are cashing in on high prices, selling and moving to low maintenance townhouses or units. This is freeing up stock in premium locations where buyers are attempting to capitalize on older dwellings and retrofit them with modern finishes and additional rooms. Builders have mentioned prices upwards of \$300,000 worth of renovations. There has also been an increase in Sydney buyers snapping up premium coastal locations and either doing major renovations on 1990s and newer homes or knocking down older homes and rebuilding. This is a focus on long term capital growth as opposed to turning a profit.

Price unsurprisingly plays the final role in renovating feasibility. Buying at a premium in a hot market and then sinking further funds into renovations can be risky. It is important to understand the market limits of your location. The market may not receive the changes you will make with renovations. If you are buying near the top of the market and then decide to renovate, your return on investment will be severely reduced as the market won't pay for those improvements. The type of renovations is a key choice. Investors of both dwellings and units tend to make cosmetic

renovations as they are working on maximising the return on investment. Spending \$150,000 to \$200,000 on turning a three-bed, one-bath into a four-bed, two-bath for an additional \$100 to \$150 a week in rent isn't feasible but an owner-occupier doing the same investment could result in significant capital gains long term.

In relation to the unit market, major renovations are not a wise option. With constant new supply of units, the market will simply pick the new unit over the renovated older unit. The best strategy would be a cost-effective refresh renovation to ensure the condition is at its comparative best. This won't increase rental income significantly, but it will avoid a rental reduction caused by competing with the brand-new units.

There are pitfalls that potential renovators are coming up against. With a huge demand for renovations and building in general sparked by low interest rates, an influx of Sydney buyers, and building grants, pressure on the supply chain for these companies has also increased. Builders are seeing wait times of several weeks for roofing materials and timber, and price of materials increases as well. In addition, companies without in-house trades are struggling to secure them at the capacity required. This is pushing completion dates into next year and costs higher than expected.

With large amounts of renovation activity in the Hunter area, those looking to renovate need to have a clear plan. Do your research and understand that your market characteristics will dictate the type, amount and feasibility of renovations. Pairing

this with an understanding of construction costs, availability of materials and trades and the wait times for your area will give you a great head start in ensuring you don't over-capitalize or price your property out of the market.

Tom Mc Douall
Property Valuer

Central Coast

In the midst of the Central Coast market experiencing unprecedented growth, many property owners are deciding what to do next. Some recurring questions raised recently include: Should we sell? Can we buy back in? Should we rent after selling? Would it be a good idea to renovate our existing property?

These are the typical questions we receive when the market is on an upward trajectory. Commonly, the answers remain inconclusive with balanced arguments for and against.

For seasoned renovators on the Central Coast, it is well known that qualified tradesmen are in short supply. Calls generally made to numbers on fridge magnets or contacts on Hi Pages ring out unanswered for many. More often than not, it comes down to who you know to get trades to knock on your front door – that is, if you have one, depending on the scope of building works required. Whether it be for a small internal renovation, proposed additions or a completely new build, it can be quite a stressful time for property owners new to renovating or building for the very first time.

Since the emergence of COVID, the government reacted to the economic challenges and introduced the Home Builder grant scheme, allowing property owners to apply for a government grant to assist in building a new home or completing a substantial

Month in Review
August 2021



RESIDENTIAL

renovation. When the policy was reviewed, the federal government decided to extend HomeBuilder to 31 March 2021. The HomeBuilder scheme provides a \$15,000 grant for eligible contracts entered into on or after 1 January 2021 until 31 March 2021. Although the scheme has now expired, construction projects that benefited from the grant are currently in progress across the region. It must be mentioned that at the time of writing, a pause on all residential construction was currently in place as part of the New South Wales government public health order, with the effects on the local industry as a whole currently unknown.

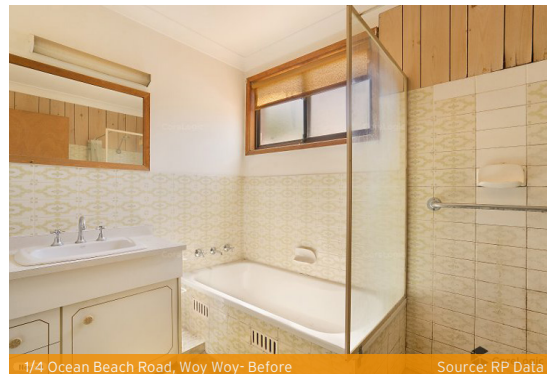
Discussions with local builders on the Central Coast confirm that the waiting time for building materials such as timber used for framework has been on the rise, steadily increasing throughout 2021 due to supply issues globally. Property owners who have received building quotes for proposed renovations or new builds and delayed signing their contracts have experienced cost increases. These increases generally are absorbed by the owners with no added value realised due to cost escalations. This makes the risk of overcapitalising even greater if the appropriate market research has not been undertaken prior to the commencement of building works.

Geographically, the southern end of the Central Coast has a very limited supply of vacant land. Suburbs such as Umina Beach, Woy Woy and Ettalong Beach are steadily being transformed with original 1950s to 1960s cottages being extended and renovated or knocked down for new dwellings to take their place. In some cases, depending on the zoning, properties are being further developed into small villa or townhouse developments.

If we travel to the northern end, the geographical dynamics shift with vacant land readily available in

emerging suburbs such as Woongarrah, Wadalba and the to be created Crangan Bay. The price point to purchase land and build a project style home attracts the first home buyer and investor markets, with reliable long-term returns. A house and land package in these areas usually starts in the \$600,000 to \$700,000 price range.

Recently some property owners have been opportunistic and have cashed in on the current market conditions. The sale of a circa 1978 villa at 1/4 Ocean Beach Road, Woy Woy is an example of a successful property flip. Purchased in January 2021 for \$380,000, an internal renovation was completed before being resold in May 2021 for \$575,000, a 51.32 per cent (\$195,000) increase in value.



1/4 Ocean Beach Road, Woy Woy- Before Source: RP Data



1/4 Ocean Beach Road, Woy Woy- After Source: RP Data



1/4 Ocean Beach Road, Woy Woy- Before Source: RP Data



1/4 Ocean Beach Road, Woy Woy- After Source: RP Data

Although an outstanding result was achieved by the vendor, it is worth mentioning that there is always a level of risk when undertaking similar projects with market conditions heavily influencing the end sale price. Opportunities like this could be short lived as we move closer to the peak of the market. Although strong market conditions are still being experienced, there is evidence emerging in the marketplace that recently renovated properties are being listed for longer with vendor expectations exceeding current market values and real estate agents recording price adjustments to marketing campaigns before an offer is accepted. This can be viewed that we are possibly nearing the



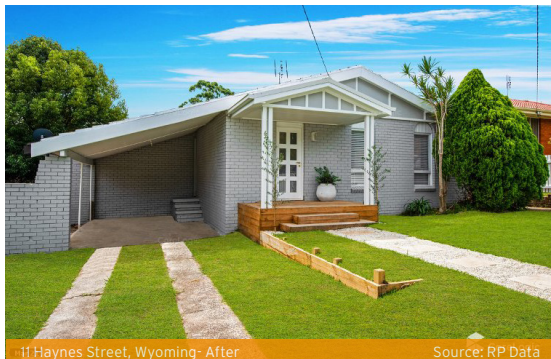
top of the property market cycle. If this is the case then property owners who are thinking of renovating and selling in the near future should be cautious and undertake the necessary research prior to commencement of works.

Another example of a successful renovation project is 11 Haynes Street, Wyoming. The 1980s brick and tile house was purchased in original condition in May 2020 for \$540,000 and after extensive external and internal renovations, the property was then resold in May 2021 for \$865,000. This shows a 60.19 per cent (\$325,000) increase in value.



11 Haynes Street, Wyoming- Before

Source: RP Data



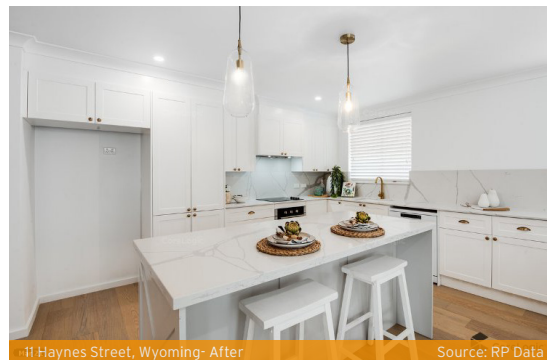
11 Haynes Street, Wyoming- After

Source: RP Data



11 Haynes Street, Wyoming- Before

Source: RP Data



11 Haynes Street, Wyoming- After

Source: RP Data

Although we are seeing many renovation projects across the region, dual occupancy development appears to be the development of choice for local investors. Where cricket was played by kids in the backyards of their parents' home is now the prime location for secondary dwellings. Detached dual occupancy properties can now be found in many areas across the region with reliable yields wherever you look. Price points do differ, with dual occupancy properties in the southern end of the region such as Umina Beach and Ettalong Beach selling for \$800,000 and above. To the north in areas of San Remo, Charmhaven and Gorokan you can secure a dual occupancy property with a recently constructed secondary

dwelling at around the low to mid \$700,000s.

With further government incentives unlikely for residential development, rising construction costs and uncertainty creeping back into the market due to recent COVID-19 lockdowns, many property owners and investors in the region will have questions that cannot be conclusively answered. Our advice would be to proceed with caution and ensure the appropriate research and due diligence is undertaken prior to completing renovations or purchasing a property on the Central Coast.

Todd Beckman, Julia Miller and Jemma Briscoe
Valuers

Illawarra

Apart from a pause during July due to COVID restrictions, renovation projects in the Illawarra have been plentiful. It seems that halfway through 2020, with travel restrictions, homebuilder grants and cash injections, people decided to renovate. Some have been small reconfigurations or updates, others have been large whole of home rebuilds. Builders and tradies have been very busy in the past year trying to keep up with the extra demand. One homeowner I met recently advised that they have taken to YouTube to learn how to lay pavers as they weren't getting return calls from tradespeople.

The majority of projects are completed by owner-occupiers for their own benefit. Either they need more room for their growing family or they're a bit older and finally have the savings to afford their dream house. They've either recently bought an older house and immediately renovate, or they've lived in the same property for a number of years and it's now time to complete their upgrade.

There are also renovators for profit - buyers out

Month in Review
August 2021



RESIDENTIAL

there looking for a bargain that they can put their skills into to renew the property and resell it. Typically, the idea is to hold the property for as short a time as possible so usually this means staying away from an extension that would trigger a DA. In Figtree, a property on Murray Park Road sold for \$675,000 in February 2020 as a rundown mortgagee sale. The purchasers completed a full renovation and tidy up of the property and it resold for \$1.15 million in March 2021.

Chris McKenna
Region Director

Nowra / Shoalhaven

Overall, renovation activity in the Shoalhaven was very strong up until July of this year.

The increase in renovations around the region is largely in part due to the incentives offered by the Home Builder Grant. This grant provides eligible owner-occupiers (including first home buyers) with a grant to build a new home, substantially renovate an existing home or buy an off the plan home or new home (Revenue NSW). Many homeowners are advising they either like where they live or can't afford to purchase elsewhere, so they have decided to use the grant to complete a renovation and upgrade their existing dwelling to make room for the whole family.

We are also seeing an increase in the number of granny flats being built and duplexes where people can earn an additional income by renting out one or both these areas. An additional living area can also provide a space for family members who can't

afford to purchase at this stage due to the booming market conditions in the Shoalhaven region.

The main concern hindering the increase in renovations and construction of new dwellings is the lack of supply of some building materials such as timber in recent months. This has resulted in construction costs increasing significantly. The lack of timber has been caused by, in part, the south coast bushfire event of 2019 and the COVID-19 pandemic. This perfect storm has increased the cost of timber in the region by as much as 20 per cent according to local builders. Local builders are also noting problems sourcing timber which is delaying renovation and construction productivity.

Joshua Devitt
Director Valuer

Southern Highlands

2021 continues to see strong prices achieved in the Southern Highlands region, with new records being set week after week. The demand for new product across the three big residential developments of Renwick, Darraby and Retford Park have been no stranger to this continued price growth, which has resulted in investors and homeowners snapping up older style dwellings in older more central pockets of Bowral, Mittagong and Moss Vale and committing to major renovation works in an attempt to attract top dollar.

The biggest uptick in this style of renovation has been notable within the central Bowral area, particularly between the hospital and Old South Road. This has likely been the result of high levels

of Sydney enquiries looking within the region to relocate, but who generally prefer to be within walking distance of local cafes and amenities. Notable examples include homes on Retford Road, which had been purchased in the \$500,000 range in 2019 and then tastefully renovated, resulting in over 100 per cent gains. Other notable strong achieving suburbs have included the highly desirable suburbs of Burrawang, Exeter and Burradoo. These suburbs typically demand a strong price point and Burradoo has long since been a favourite of Sydney families, who are able to upsize their homes and downsize their mortgages. Good quality renovations in Burradoo have always commanded a premium price due to a lack of new product available within the suburb. This in turn results in most prospective purchasers looking at housing within the suburb, prepared to pay a premium for a high-quality product, completed to replicate a near new home.

The ongoing surge in residential housing prices in the region coupled with an increase in cost of materials and demand for tradespersons within the area is beginning to put pressure on the overall feasibility of renovating homes for profit. However there are always exceptions and these would include long held assets which have enjoyed a significant capital gain over many years. The other main exception is tradespersons or professional contractors who have the skillset and local trade connections to complete these types of works by forgoing builders' margins and obtain the best possible returns.

Kurt Bismire
Valuer

Albury

The prominent drivers for renovation in the Albury-Wodonga region are investors capitalising

Month in Review
August 2021



RESIDENTIAL

We are also seeing an increase in the number of granny flats being built and duplexes where people can earn an additional income by renting out one or both these areas.

on flipping, homeowners deciding to extend or renovate instead of moving, first home buyers choosing dated existing stock rather than waiting for new builds and, more and more, the central prestige market undertaking large projects with a diminishing risk of overcapitalising given the strong growth created from a heated, COVID-induced fear of missing out storm in addition to work from home options and the Home Builder Grant guidelines favouring the means testing and property value thresholds for the area from June 2020 through to March 2021. That is the good news.

The challenge, similar to the new home construction industry, is demand outstripping supply of materials and labour, creating delays, as very often your renovation builder may be well down the food chain in sourcing materials and retaining staff in a very competitive labour market. However, the realisation that the region offers affordability and a great lifestyle and the lift in values has done well to reduce overcapitalisation, something that was very often the case on renovation projects in the area in the not too distant past.

In normal market conditions, renovation has always presented challenges, possibly not for the faint-hearted or long-pocket, short-arm brigade, even more so in our pandemic driven market. However, the rewards for homeowners and investors are also more apparent than ever if you can navigate the quotes, the grant, the delays and ultimately, a new and improved asset in a market willing to pay a premium for dwellings with good completed renovations. The rental market in Albury-Wodonga is very strong, with demand outstripping supply, low vacancy rates and more people relocating to the area keeping demand high. As in any boom time, delays are apparent

and increasing costs will inevitably result in higher renovation costs. As property prices have risen sharply across all market segments, renovating to profit is definitely harder than 12 to 18 months ago. The grant, the home renovator TV show bingeing during countless lockdowns and delays in engaging a builder all add another layer of boom time challenges.

The tip for property renovation in the region is to be really clear on the purpose of the renovation and assess whether to proceed now or delay until some of the heat comes out of the industry if you are not divesting post renovation. We often see a project where a homeowner has approached a renovation on a dream forever home basis, spent up on the very best of everything and then decided to sell, forlorn that the \$50,000 kitchen has not increased the home's value by \$150,000. The message is to keep your head and budget intact. There has never been a better time to capitalise on the equity gains in the market if focus and builder availability fall into place, however acquisition and holding costs are also higher in a bullish market, so purpose is the key.

Rachel Anderson
Property Valuer

Tamworth

Australian homeowners have had some exposure to renovating or DIY residential projects. Almost everyone has or has heard of a renovation triumph or nightmare to share. Tamworth Regional Council area has a strong affiliation with residential construction, with the building construction industry contributing approximately \$60.9 million to the region's economy in the 2019/2020 financial year (source: economy.id). Furthermore, a Suncorp Bank lending data release (September 2020) indicated that Tamworth was in the top five

suburbs to most frequently renovate within New South Wales.

Most frequently renovated suburbs in New South Wales

1. Kellyville 2155
2. Drummoyne 2047
3. Miranda 2228
4. Tamworth 2340
5. Ballina 2478

Source: Suncorp

Recent government stimulus and renovation grants made available due to COVID-19 have resulted in local trade businesses receiving an increase in numbers of construction enquiries. Typical renovation enquiries range from minor internal refurbishments to planning larger scale renovations to increase building size and outdoor areas to utilizing the government's Home Builder Scheme.

Tamworth is considered to be a solid location for renovation prospects. The area is the best serviced in terms of trade availability (albeit having limited current availability), with affordable entry level to most residential market segments.

Whilst the Tamworth region has generally experienced a broad increase in renovation activity, there are some centralised locations with more concentrated volumes. These areas include North Tamworth, Inner West Tamworth and East Tamworth localities. These central locations have the highest concentrated area of existing dwellings, being the first established residential areas within the Tamworth City.

The recent surge in construction activity locally has put pressure on the businesses within the industry, many of which are oversubscribed with existing

Month in Review
August 2021



RESIDENTIAL

Due to the perceived affordable entry levels within most residential areas of Tamworth, people can be misguided when looking to renovate to flip a property.

works. Also apparent within the region is the compression of building supplies from wholesalers, resulting in front end loaded payments (inflated upfront deposit payments), increased material costs and scheduling delays due to uncertain building material delivery times and trade availability. Many businesses are being forced to forward on cost increases to consumers and in some cases will turn away quote opportunities or price themselves out of potential work.

Renovation in the area is mostly confined to homeowners. The overwhelming motivators to renovate are typically the need to accommodate growing families or a change in lifestyle. Renovator profiles are typically dual income families and down sizer markets.

Due to the perceived affordable entry levels within most residential areas of Tamworth, people can be misguided when looking to renovate to flip a property. It has been historically difficult to renovate to sell in the short term, reflecting the owner-occupier renovation activity being strong. Property owners need renovation experience, industry knowledge, trade experience and strong market conditions to achieve any substantial profit margins in the Tamworth area.

Some key tips for renovation in the Tamworth area include:

- Think re-sale value prior to renovation planning. To work out a budget, look at sales in the same location of properties that have been renovated and properties that have not.

- Be site specific and work to a property's unfair advantage. Distinguish the main feature of the property that will make it stand out from comparable sales in the same location.
- Get multiple quotes and consult experienced renovators. The cheapest quote may not always be the best.

Nick Humphries
Property Valuer

Month in Review
August 2021



RESIDENTIAL

Victoria

Melbourne

The repercussions of the COVID-19 pandemic have sparked a record breaking renovation frenzy across the country. Having already spent an all time high \$37 billion on home renovations in 2020, Australians are on track to top this previous figure by an additional ten per cent in 2021 (Domain, 2021).

A combination of record low interest rates along with the introduction of the government's HomeBuilder scheme has resulted in renovations becoming a realistic opportunity for many Australian owner-occupiers and investors alike. For example, the total renovation costs of people Australia-wide who have received the government grant will account for over \$40 billion of work throughout 2020 and 2021 alone (HIA, 2021).

In addition to this, the numerous lockdowns much of the country has endured has meant people are spending more time in their homes and thus, more time thinking about how to improve their homes. Finally, the closure of state and international borders for much of the year has meant that many Australians who would normally spend significant money on a holiday are instead putting their money towards home improvements.

South-east

There is an increased demand for outer suburb

properties in the south-east and on the Mornington Peninsula as many look for a lifestyle change away from metropolitan Melbourne. As a result, renovations and upgrades have become a viable option for many homeowners and homebuyers. Funds that may have previously been spent on travel and entertainment have in recent times been injected into people's own assets, including property.

With the lockdowns of the past 12 months forcing most to work and spend a lot more time at home, many have chosen to improve their existing dwellings and invest in their own properties. Extensions that include study areas and home offices have been the most popular with many businesses encouraging their employees to work from home. Landscaping and the addition of outdoor entertainment areas have also seen high demand as homeowners have looked to ensure their homes are as comfortable as possible.

For example, this recently renovated Capel Sound house sold on 17 July 2021 for a strong price of \$826,550. The two-bedroom, one-bathroom dwelling incorporates a small study area as well as an outdoor entertainment space with backyard. These features have likely impacted the high sale price in a suburb with a sale median of \$710,000. (reiv.com.au, 2021)

Extensions that include study areas and home offices have been the most popular with many businesses encouraging their employees to work from home.



2 Sundew Avenue, Capel Sound, VIC 3940

Source: Corelogic

Month in Review
August 2021



RESIDENTIAL



Inner and Outer East

The construction in Melbourne's inner east suburbs is predominantly in the form of renovations, extensions and refurbishments. Alternatively, homeowners opt to completely knock down dated existing dwellings unencumbered by any Heritage restraints and at the end of their economic life in order to build brand new homes. Whilst construction has slowed in recent weeks, the past 12 months has seen a large amount of building contracts signed with both large scale building companies and individual builders to take advantage of discounted lending and government incentives in order to create homes to cater to changing needs or create new and modern dream houses.

With first home buyers struggling to break into a competitive inner northern suburb market, we are seeing buyers in this category being pushed towards old dilapidated homes.

Price points don't necessarily determine whether renovations occur or not, but more often the type. In the more affluent inner suburbs such as Glen Iris, Canterbury, Mont Albert, Balwyn and Doncaster, we are seeing developments and renovations to redesign older houses to feature modern and high end finishes. These types of renovation typically push above median house prices toward multi-million-dollar figures.

An exceptional example of this is at 18 Victoria Avenue, Canterbury 3126, a circa 1910 heritage Edwardian home on 679 square metres. The renovated property boasts four bedrooms and four bathrooms over two levels, modern kitchen and top of range appliances, outdoor decking and heated pool while incorporating a gym and wine cellar on a basement level with an elevator. The house was recently sold on 1 April 2021 for \$3.9 million (Corelogic 2021).

However, renovations in the east aren't limited to only the extravagant; it is still feasible for owners who sit at a lower price point who possess larger blocks of land further away from inner suburbs. In suburbs such as Ringwood, Wantirna, Bayswater and Croydon, homeowners tend to build and extend their homes to better utilise space and further increase large floor areas. This is either by removing walls and extending the sides and rear of properties with modern kitchens, bathrooms and laundries, or by building a brand new storey with larger bedrooms coupled with ensuites to suit growing families or changing working from home arrangements. This offers the opportunity for buyers to look towards the leafy green areas of Melbourne's east to redesign and build their ideal home.

Inner and Outer North

Melbourne's inner-northern homes have undergone a significant amount of improvement works over the past 12 months. Older period homes in inner suburbs such as Carlton, Collingwood and Fitzroy have seen plenty of activity. In the current working



Sold: 18 Victoria Avenue, Canterbury

Source: Corelogic



Sold: 69 Cecil Street, Fitzroy

Source: CoreLogic

from home climate, the addition of a home office has clearly been the dominant feature observed, with homeowners and investors seeing this as a clear strategy to add practicality and value to properties.

A prime example of this is 69 Cecil Street, Fitzroy, VIC 3065, a circa 1890 Victorian home that sits on 128 square metres of land. This renovated property boasts three bedrooms and two bathrooms over two levels and comes complete with a separate upstairs study space. The property was sold on 25 June 2021 for \$1.751 million (CoreLogic, 2021).

With first home buyers struggling to break into a competitive inner northern suburb market, we are seeing buyers in this category being pushed

towards old dilapidated homes. As a result, prices for such homes are producing very strong results at auction, with buyers seeing an opportunity to buy and renovate in order to break into the highly sought-after market of the inner north. Additionally, the current market conditions are providing investors with an opportunity to sell homes for a quick profit. Renovators are seeing plenty of value in suburbs such as Coburg and Pascoe Vale, where median house prices are just \$1.085 million and \$950,000 respectively (CoreLogic, 2021). These relatively low median house prices when compared with inner suburbs coupled with steady market growth is resulting in some renovators making substantial profits in a short period.

Western Suburbs

Renovations and alterations in Melbourne's western suburbs occur largely in the inner west suburbs, as the outer west is dominated by developing areas consisting of almost exclusively new construction or knock-down rebuild projects. However, there has been a slight decrease in activity in recent months. The main reason for this is a materials shortage and an increase in the cost of construction. The materials shortage is a flow-on effect of the construction boom Australia has experienced in the past 12 months, a worldwide shipping container shortage and bushfire destruction of softwood plantations. Wait time for materials has doubled, tripled or even more for some items, increasing the price of materials because of such high demand. For example, the wait time for frames and trusses pre-pandemic would have been four weeks but is now currently 16 weeks with timber prices going up by 20 per cent (The Age, 2021). Building tenders are projected to increase by 1.5 per cent by the end of the year (Build Australia, 2021). With these factors in mind, renovating is becoming less feasible from both a financial and time perspective.

It may not be worth renovating now given construction wait times and costs and the fact that house prices are at an all-time high. Homeowners may be more inclined to sell their house unrenovated, at the top end of a high market and use the funds to purchase a property that they don't have to spend money or time altering. However, as a medium-term investment, if homeowners can renovate and if house prices continue to sit where they currently are, it is a feasible option because people are currently willing to pay a premium for a home, especially if part of that home is newly renovated.

Month in Review
August 2021



RESIDENTIAL



Here's an example of a renovated home sold in Strathmore for \$1.95 million earlier this year.

Advice for anyone considering renovating would be to do some research into what houses are selling for in their area at the moment and weigh that up with the time and cost of the build to determine if it is really worth it and if the renovation itself will add that much value to the property. It's always best to strike when the iron is hot and the property market is hot right now.

Geelong

The attractive lifestyle the Geelong region offers is obvious, with easy access to the Surfcoast and Bellarine Peninsula, along with relative affordability in comparison to metropolitan Melbourne. It continues to be a popular choice for homeowners. This is evident within the Valuer-General's latest guide to property values released earlier this month which shows the City of Greater Geelong recording \$4.72 billion in transactions

over the past 12 months, falling just short of Melbourne's \$4.86 billion for the same period (Valuer-General Victoria, 2021).

With regional Victoria spending a large majority of 2020 under lockdown and living with restrictions, many owners chose to capitalise on the HomeBuilder renovation grant, looking to create a more functional layout as the need to work from home became a priority. Popular inner city suburbs of Newtown, Belmont, Geelong West, South Geelong and East Geelong have all proved to be hotspots as owners look to make the most of the period homes and strong buyer demand.

With new demand and a shortage of materials, local builders are at capacity with current workloads. As a result, quotes and timeframes have ballooned throughout the region. This is yet to hinder the market as Geelong has seen strong sales for newly renovated dwellings. The highlight has been the sale of 5 Gurr Street, East Geelong which sold in June for \$1.905 million. Maintaining the original period style facade, the property has undergone a full internal renovation blending together timeless and modern features (McGrath Geelong, 2021).

Other notable sales include: 7 Humble Street, East Geelong which sold for \$1.550 million in January; 6 The Avenue, Belmont selling for \$1.3 million in April; 378 Myers Street, East Geelong selling for \$1.51 million in April; and 22 Ann Street, Geelong West selling in July for \$1.415 million (CoreLogic, 2021).

Homeowners may be more inclined to sell their house unrenovated, at the top end of a high market and use the funds to purchase a property that they don't have to spend money or time altering.



Sold: 5 Gurr Street, East Geelong

Source: Corelogic

For current residents thinking of renovating, sales are already at the upper end and local agents have indicated that while current stock levels are low and buyer urgency is evident, any softening of the market could see a decrease in values.

Perron King
Director

Warnambool

Renovation activity has noticeably increased in the Warnambool service area within the past six months. While we expect this trend to continue for some time, we cannot discount a tapering of this activity from owners and investors as the financial and time costs increase due to broader

factors including material and labour supply issues.

Construction activities are underway across all areas of the city in varying degrees of cost and scale. Anecdotal evidence says much of this activity is due to owners wishing to capitalise on their suddenly-found large amounts of equity in their properties. Such is the level of activity and shortage of builder availability that some owners are choosing to commence their renovation or extension works without entering into a formal contract with the builder, opting instead to attempt a much riskier strategy of price negotiation and financing during the build.

In terms of current renovation and extension activity, there are higher levels occurring in the central and south-eastern areas of the city. This fits the expectation as underlying values and potential capital value gains are higher in these locations than those to the north and west.

Centrally speaking the scale and cost of projects undertaken in this locale are typically greater than all other areas of town. Banyan Street's southern end has been extraordinarily busy in recent times with multiple period style dwellings taking on large, contemporary style extensions and thorough renovations.

The south-east offers a lower buy-in compared to central areas with attractive features being the proximity to the Hopkins River, beach and a number of education options. The majority of renovation works in this area are by owner-occupiers undertaken in an attempt to capture potential river or ocean views common to this area or in order to facilitate lifestyle activities - think storage space for watercraft or the requisite outdoor shower.

Not all renovations are completed by owner-occupiers of course; investors too are present in this space albeit in more targeted and small-scale ways. Typically, we see investors targeting key areas such as kitchens or bathrooms with the bulk of their funds. Beyond these areas much of the works are of a more cosmetic nature including items such as floor coverings, window dressings and painting.

Jordan Mowbray
Valuer

Mildura

With the Sunraysia residential market continuing to show strong market growth, many homeowners have looked to renovate their current residence

Month in Review
August 2021



RESIDENTIAL

as opposed to competing in this rising market. Some owners have also taken advantage of the government stimulus package introduced during 2020 to subsidise the cost of renovation works costing over \$150,000.

The high incidence of working from home has also contributed to greater renovation activity, with owners deciding that they may as well advance these works and get the benefit sooner. For some homeowners, this work has been funded using money that would otherwise have been earmarked for holidays or other purchases.

With significant renovation works, especially those that involve extensions and usually costing in excess of \$100,000, the majority have occurred in areas with a high underlying land value that would appeal to purchasers in the higher end of the market. However the majority of these larger works undertaken are completed by homeowners looking to continue occupation of these dwellings and so benefit from the enhancement, rather than recoup the cost through sale.

In the middle to lower levels of the market, the majority of minor renovations and cosmetic updating is also undertaken by homeowners rather than investors. With a tight rental market, there is generally no imperative to complete renovation work to secure a good tenant. Completion of some targeted renovation prior to eventual sale is still considered prudent, where the dwelling is over say 30 years of age and located in an area which will appeal primarily to owner-occupiers. Providing the owners have not gone too over the top with selection of fixtures and fittings, the cost of these works will generally be more than recovered.

Locally there have been some larger extensions undertaken within close proximity to the Mildura city heart of dwellings that had several character

features and still maintained a good level of condition, however were too small to satisfy the needs of many growing families looking for the amenities and rooms of a more modern home.

Jake Garraway
Valuer

Bendigo

In the greater Bendigo region, there was a flurry of renovation activity during 2020. This followed the introduction of government grants available during the first year of the global pandemic. Our valuers have seen a decrease in renovation activity this year since the cessation of the government grants. Currently there is a shortage of builders and materials, leading to increased costs and project durations becoming prohibitive to prospective renovators.

The demand for renovation or updating homes in our service area remains strong. Enquiry remains high due to decreasing loan to value ratios, which has made renovation projects more accessible. Renovation is not confined to certain areas, however it is less common in newer developing suburbs. Renovations are particularly sought after in areas with older period style homes. This has been a clear representation in the Bendigo market. The uplift in property prices means that costs of renovation or upgrade have in most cases been recovered in underlying property values.

If an investor purchased a property say four years ago in our service area for \$300,000, you would expect the value to be pushing \$400,000 in the current market. This uplift in available equity has led to investors or homeowners putting capital back into their properties to maintain or upgrade the overall improvements. This is a common renovation scenario - a flow on effect of tax benefits to property investors and general

lifestyle improvement - however as mentioned previously, the current volume of work within the construction industry is hampering this potential renovation work.

James Watson
Residential Valuer

Month in Review
August 2021



RESIDENTIAL

Queensland

Brisbane

Southeast Queenslanders love a reno. We have a long reputation for being a fixer-upper state. Not only do we have an enviable climate that allows tradies to work year-round in Jackie Howe singlets, but the style and design of our traditional housing (i.e., timber and tin) lends itself to handiwork.

And renovation activity is prime throughout the Brisbane region at present for several reasons.

Firstly, we have yet again seen an impressive rise in property values.

The latest data from CoreLogic revealed that in the three months to the end of July 2021, Brisbane saw a 6.0 per cent increase in dwelling values. In addition, the 12-month increase was 15.9 per cent.

These are excellent outcomes for property owners, especially those who've held on long-term and ridden through a flat market over the past decade or so.

And this bodes well for renovators too. It's obviously important to maximise the spent 'bang for buck' when upgrading – whether that's for improved lifestyle or increased property value when selling – but a rising market also makes the renovation process more forgiving. For example, if you overcapitalise a little by installing that wet-edged pool you've always wanted, the overall equity gains you make in the rising market help soften the blow.

Over the past few years, we've particularly seen a rise in builder-led renovation projects, especially high-end renos fetching extraordinary end prices.

Another reason renovators are so active in Brissie at present is due to COVID. For starters, stimulus packages offered during the pandemic have helped, although much of the assistance has now been shut off.

The other COVID boost has been the lockdowns themselves. People are spending plenty of time in and around their homes discovering what's working and what isn't. Stay-at-home orders also present an opportunity for owners to tackle a few upgrades themselves. In addition, we're all spending less discretionary income during lockdown which is more cash that can be devoted toward improving your home.

There are other reasons renovation activity has ramped up in Brisbane. Rising prices have made it challenging to upgrade your living arrangements by selling your existing home and purchasing a new one. It's all well and good selling while prices are on the rise, but a lack of available stock plus stiff competition makes buying back in a real challenge.

In addition, selling out one property and purchasing another comes with extensive added costs such as stamp duty, refinancing, professional fees and other sundries. So instead of trading up via selling then buying, many people are choosing to renovate their way into a better

living arrangement. They're happy to stick with their existing home but give it the upgrade they desire.

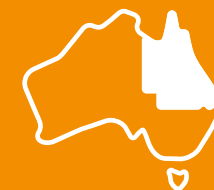
While renovation – whether it be for homes, investment properties or for flipping to profit – is something that can be tackled across most locations, in Brisbane there's been more activity close to the CBD where vacant land is scarce. In outer suburbs, the main driver of construction is new home building. There's plenty of land on offer, and new builds can be relatively affordable with the right project builder.

So, most renovation centres around the inner city and mid-ring areas, with some other locations including bayside and rural residential suburbs.

Over the past few years, we've particularly seen a rise in builder-led renovation projects, especially high-end renos fetching extraordinary end prices.

There are several local builders who've taken on their own projects and made handsome profits in the prestige home space. A great example is the early work by Graya who specialised in renovating homes throughout Paddington, Bardon and New Farm. This property at 248 Harcourt St, Paddington is good example of what these extensive high-end upgrades can achieve.

Month in Review
August 2021



RESIDENTIAL



248 Harcourt St, New Farm - Before Source: CoreLogic



248 Harcourt St, New Farm - After Source: Google Street View

Mid-ring suburbs are also experiencing plenty of renovation activity in Brisbane. There's solid demand for beautifully completed homes - particularly in areas around good school zones, parklands and amenities.

Family buyers are keen to take advantage of these mid-ring reno's in particular. Why? Because their time is precious, especially if both parents are working. They're looking for properties where they can simply open the door and start living. Weekends spent swinging a hammer or guiding a paint brush just aren't that appealing.

Some area where you see stunning family-style renovations are around Ashgrove and Bardon, as well as East Brisbane.

This recently renovated home at 654 Waterworks Road, Ashgrove sold in March for \$1.245 million. Despite it being on the busiest road in the suburb, the four-bed, three-bath, two-car home on a substantial 1032 square metres of land is an excellent example of something that would appeal to family buyers.



654 Waterworks Road, Ashgrove Source: realestate.com.au

Of course, you don't have to be in the 'millionaires club' to make money on Brisbane renovations. It is possible to acquire a modestly priced home in one of the more affordable suburbs and make some decent gains in equity or resale.

The key is always avoiding overcapitalisation.

It's easy to spend up big in modestly priced suburbs. For example, a basic inground pool will still set you back between \$30,000 and \$50,000. Given our brilliant climate and outdoors lifestyle, you'd think this would be a terrific addition to

just about any home and certain to substantially improve your property's value. But dig deeper and you may find the pool is more of a hindrance than a help in terms of value adding. For example, there are well-established suburbs throughout the Ipswich growth corridor where shifting soils and old underground mining activity have resulted in unstable surface conditions. Plonk a concrete pool into this dirt, and there's a chance you'll be battling cracks at some future stage - and many local buyers know this. Add on the cost of general pool upkeep, and having a pool becomes more of a hassle than a benefit for these buyers - and it's often reflected in the sale price. We've seen instances where pools can even reduce a property's value.

So, you must know your market before you spend up big on renovations. Think about what the home will offer on completion of the works, and consider whether it will meet (or exceed) buyers' expectations in your suburb. This will help you gain plenty of bang for buck.

Also - if you're a budget-conscious investor looking to renovate and sell on quickly for a profit, then think about easy cosmetic transformations as an option. A coat of paint and new floor coverings can be effective upgrades. Even kitchens and bathrooms can be improved relatively cheaply with the right products and fittings.

This property at 10 Shakespeare Parade, Strathpine is a great example. It sold earlier this year for \$515,000 and while the outside of the home is modest, the inside work makes for a whole new environment for its residents.

It is possible to acquire a modestly priced home in one of the more affordable suburbs and make some decent gains in equity or resale.

Month in Review
August 2021



RESIDENTIAL



External of Shakespeare Parade, Strathpine Source: realestate.com.au



Internal of 10 Shakespeare Parade, Strathpine Source: realestate.com.au

Even if you don't choose to sell, these renovated homes will attract renters and earn a premium income compared to unrenovated properties in the same market.

Another option is unit renovation. These allow a homeowner to acquire a reasonably priced property in their most desired suburb at a very accessible price. Best of all, most unit renovations are reasonably inexpensive because you are just working on the internal finishes. They rarely involve

major structural changes. Another bonus for owner occupiers is that as soon as you enter your renovated unit, it feels like a whole new home.

Here's a great example of what can be achieved. This unit at 5/16 Fortitude Street, Auchenflower sold in March 2021 for \$348,500.



5 of 16 Fortitude Street, Auchenflower external Source: realestate.com.au



5 of 16 Fortitude Street, Auchenflower internal Source: realestate.com.au

From the outside you can see the building has a few years on it, but step through the front door and it's a whole new story.

Our final tip for Brisbane renovators is to be careful when signing 'cost-plus' contracts. These are contracts where a builder is paid an agreed hourly wage. The builder then sources and secures materials and services throughout the construction process and the costs are passed on to the owners, with an agreed margin to cover overheads and profits.

In normal times, cost-plus can be a way to keep builder's margins low and allow flexibility in design, fitout and costs. The danger at present however is that building costs have been rising quickly. Many cost-plus owners are being caught out, having to pay more for materials and labour than they'd previously allowed.

David Notley
Director

Gold Coast

Tweed Shire/North-Eastern New South Wales

Moving south over the border into the Tweed Shire, we are seeing this market as red hot at the moment. With the HomeBuilder grant, the temptation was too great for many and tradies are struggling to keep up with the workload.

Like the rest of Australia, getting hold of materials is a big challenge with many projects started and finish times being blown out dramatically. Contracts are being blown out too and if you did not have a watertight contract at the beginning of the year, builders are having to requote for the same work at much higher prices, anywhere up to 30 per cent higher.

With the growth in property prices being quite substantial across the Tweed in the past six to 12 months, anyone owning a property before the increase in prices will not have to worry about over-capitalizing. If purchasing a property in the current

Month in Review
August 2021



RESIDENTIAL

Another bonus for owner occupiers is that as soon as you enter your renovated unit, it feels like a whole new home.

market, the opportunity to renovate for profit is becoming harder with the chance to quickly flip a property not being as easy to do, particularly if it is a substantial renovation.

However, it is mainly homeowners renovating and improving what they already own. The Tweed has become a desirable location and the locals know it and are holding onto their little piece of paradise.

Southern Gold Coast

The southern Gold Coast has seen a significant uptick in renovation works from owner-occupiers and investors alike. With prevailing strong market conditions, property investors are looking for further opportunities to manufacture equity. This has been generally noted across all market segments of this area. However, we are also seeing strong increases in building costs as a result. These increases in costs are also attributable to supply issues as builders and renovators compete for materials.

The Mermaid Waters to Currumbin localities have seen a significant increase in the renovation activity with approximately 20 per cent of valuations being of properties under renovation, about to commence or have completed a renovation in the past six months. The price bracket from \$600,000 to \$1.2 million has seen the majority of the activity. This sector of the market seems to be young couples, families or builders taking advantage of low interest rates and trying their luck with producing a product that will obtain a premium on sale from the owner-occupied market.

There are a number of owners in the southern Gold Coast and Tweed Shire that are renovating to stay

in their homes by taking advantage of the recent significant uplift in values and the newfound equity in their properties.

Duplex units, townhouses and walk up units in this locality present good opportunities for growth. A two-bedroom, two-bathroom, one-car space attached townhouse in Burleigh Waters which had undergone a full renovation sold for \$901,000 a couple of months ago and set the record as the highest sale of that product for the area.

Renovators need to be aware of the quality of housing and units in the locality in which they are undertaking their renovations and need to renovate to a comparable standard of surrounding properties without over-capitalising.

Central

The centrally located suburbs are definitely not immune to the strong demand for builders and tradespeople to do any construction work. As an anecdotal example, one of our valuers needed some work done in the past few months and after numerous phone calls had a commitment from a builder to visit their house for a quote. After an additional two week wait, the builder sent a text advising "I am too busy to quote your job or do the work". So, after asking around, a builder has now been secured, but there are now four bigger jobs in front of him.

Builders and tradespeople are commenting that the constant talk of lockdowns in the more built-up areas has had owners diverting previous holiday funds to their renovations or an investment property. In addition to this, price point is important. Modest homes in Southport for circa

\$400,000 to \$450,000 a year ago are now selling for between \$575,000 and \$625,000. This increase in value has enabled owners to access equity and renovate. Combine this with higher values in the next price bracket within the more central areas such as Southport, Broadbeach Waters, Benowa Waters and even Ashmore, these newly built or extensively renovated homes are achieving from \$1 million up to around \$1.4 million and even \$1.5 million for a dry block site, further indicating that the current market is still strong and is probably still strengthening. The strengthening market combined with low interest rates means that the cost of borrowing money to spend on improving and adding value to one's property is currently cheaper and more viable than it was 12 months ago, turning full circle to the higher level of demand for builders and building materials which in turn is leading to higher building costs resulting in more cost for less renovation.

The main pitfall in renovating now is if there is a change in market conditions and buyer demand falls, price expectations on the finished product may no longer be achievable. This may lead to financial hardship for the renovator if the sole aim was to borrow and flip the property for a profit.

The main tip for the centrally located areas is for a renovator to buy, renovate and sell in the same market if you can, or even better in a rising market which will forgive most mistakes or cost overruns.

The market for attached housing, ie townhouse or villa units, is generally underpinned by the investor market and as such, generally these renovations are more modest in terms of quality and cost. In addition, they are generally confined to the interior as any addition or extension or extra patio may require Body Corporate approval.

In the end it generally comes back to the return to



The southern Gold Coast has seen a significant uptick in renovation works from owner-occupiers and investors alike.


the investor, ie there is no point spending \$75,000 putting in the best bathrooms, kitchen and flooring if it's only going to achieve another \$50 a week rent, when a modern average quality bathroom, kitchen, flooring renovation for \$30,000 achieves the same rent increase.

Northern Gold Coast

The incentives initially offered by the Queensland government to stimulate the economy during the early stage of the COVID-19 pandemic did not generate a lot of renovation activity as the conditions for eligibility were not conducive for most homeowners. However, the phenomenal rise in market values in the past 12 months have provided opportunities to many homeowners to borrow more, thanks to the increase in equity in their homes and the low interest rates. Many who bought existing properties are also renovating before they move into their dream homes. Of course, there are also many sellers also renovating with the hope of achieving a better outcome on the sale price.

As long as the borrowing cost stays low, a renovation project will continue to increase subject to availability of trades. The increasing demand for home renovations has also contributed to the increasing price of building materials and the overall cost of building. Nevertheless, competition amongst builders and tradies is still keen and calling for several quotes can sometimes generate surprisingly wide differences between quotes.

While it is the hope of most sellers to realise a profitable outcome from the capital expenditure on renovation works, not all renovation projects would be feasible. In the northern Gold Coast suburb of Eagleby for example where existing homes are very old, renovations have mostly been carried out for the purpose of achieving a sale rather than with the hope of profit gains. Consequently, most renovation

 *Some owners are driven by the high prices being achieved in their neighbourhood but sometimes, one needs to consider carefully other factors that may be contributing to a high price.*

projects are small and usually confined to upgrading floor coverings or replacing old kitchens and bathrooms. Good presentation is the key to a successful sale, however overcapitalisation should be avoided at all cost. Whilst heavy investment may be a necessity for high end properties, spending a huge sum of money on an average home in an average estate may not be the best thing to do. Demolishing part of the dwelling and rebuilding may also not be the best option as the cost of such works can be much higher than building new. Instead of demolishing, perhaps the better option for those with extra land is to build a separate home or granny flat.

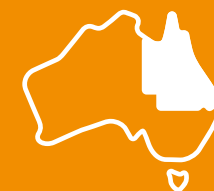
Some owners are driven by the high prices being achieved in their neighbourhood but sometimes, one needs to consider carefully other factors that may be contributing to a high price. A good example is the Coomera Shore estate which is an older estate that contains many old dwellings in need of renovation. Prior to the uptrend generated in these COVID-19 times, partly renovated homes were fetching sale prices in the \$400,000 and low \$500,000s. Today these types of dwellings are going for mid \$500,000s to mid \$700,000s depending on the quality of upgrades undertaken. Recently a property in the area sold for \$815,000. An existing owner of an old un-renovated house nearby wants to spend \$200,000 on renovation, hoping to resell for \$900,000. However, what he has not considered is the location of the property that sold, which affords water views and had also been renovated to provide dual occupancy. His property will not have these attributes and it is

more likely he may not recoup all the money spent.

Unlike detached housing, townhouses in the Gold Coast northern regions have not achieved a similar level of capital gains. This market has been dominated by investors and the rental levels have not been attractive enough for landlords to carry out renovation works. However, the rental market is expected to catch up with capital values and renters may demand better quality accommodation commensurate with increasing rents. On the other hand, owner-occupiers are now buying townhouses as a result of detached houses becoming less affordable for some. These owner-occupiers are more likely to carry out renovation works after purchase.

West

Renovations are becoming less feasible for owner-occupiers and investors as building costs are constantly rising, however many tradespeople and handy owners are taking advantage of current market conditions and utilising their skills to enhance improvements and inherently increase the market value of their property. This has particularly been evident with the rise in values for established dwellings where buyers are opting for smaller renovations instead of a brand new construction which is largely due to feasibility. Despite these comments, owners who are heavily reliant on a builder or tradesperson to undertake the majority of the renovations are seeing increased building prices and a potential over-capitalization of the property if values were to plateau or decrease in the short term.



There are a number of new estates in the western areas of the Gold Coast, driven by the government incentives dominating the construction sector in this region.

Tamborine Mountain Example

(although a few months old) 40 per cent increase in five months

Renovations undertaken by owner

Purchased: September 2020 - \$410,000 and was totally renovated internally and externally and sold in February 2021 - \$700,000. See these photos below:



Our three biggest tips across all the markets we cover is to:

1. Keep it simple
2. Do not renovate to your own specific taste
3. Target the family market or high-end renovations for a higher paying purchaser.

Janine Rockliff
Director

Sunshine Coast

The construction industry on the Sunshine Coast is like most areas around Australia. Absolutely flying! Materials have become harder to get which has in turn led to significant cost increases. Then the second part of the problem is whether you can find a tradesperson who isn't booked out till next year. Good luck.

There is no doubt that we have seen an increase in the gentrification of established suburbs and particularly in the sought after coastal and beachside areas. With the current strength in the market, the option of trading up is pretty hard, so owners have had to reassess their options. If you like where you live, the option is to renovate and extend the current home, maybe even drop in a pool. This helps future proof the property.

The main driver of gentrification in these older areas is that they are well located close to amenities or the beach, thus creating the desire of people to live in these locations. The coastal areas south of Caloundra right along the coast to Maroochydore are all areas that are becoming renovation hot spots. Moving further north, the areas of Mount Coolumb, Yaroomba and Coolumb Beach are seeing increased demand. Up north

in the Noosa region, the areas in Sunrise Beach, Sunshine Beach and Old Tewantin near the river and town centre and also Noosa Junction are seeing a significant number of renos and rebuilds. Once again, close to shops and cafes and basically all areas close to the beach have become highly sought after.

The majority of renovations being completed are by owner-occupiers. Typically, they are looking to stay in their current location which may be close to schools or the beach and they want to create their dream home. With the current buoyancy in the market, we have seen some house flipping going on. Well-presented properties with good quality renovations completed are attracting a premium as purchasers are looking at these properties with nothing to do.

Renovations have typically been to housing, but we have been seeing renovations completed to the older walk up style unit complexes and townhouses. The risk however with these renovations is when the body corporate is not in a position to do works to the exterior of the building. This may detract from the internal renovation and therefore may not achieve the desired result.

The typical entry price point for these types of properties along the coast ranges from \$800,000 to \$900,000, however the entry price point in the northern suburbs of Sunshine Beach and Noosa Heads is much higher.

The Sunshine Coast has had and continues to have some large infrastructure projects which are attracting a significant number of people to the Coast. With the recent announcement of the

Month in Review
August 2021



RESIDENTIAL

The construction industry on the Sunshine Coast is like most areas around Australia. Absolutely flying!

2032 Olympics for Brisbane and wider south-east Queensland, the positive energy in the market will continue for some time yet.

Stuart Greensill
Director

Rockhampton

Renovation activity in Rockhampton over the past 12 months has seen a combination of a small number of traditional renovation works, together with natural disaster recovery work, due to a hail storm in the region in April 2020. This, combined with improving market conditions post the arrival of COVID-19 on our shores in early 2020 has seen a shortage of available tradespeople and a major shortage of material supply nationwide, resulting in significant price increases, with further increases forecast.

The vast majority of major renovations we see are contained to a small sector of the Rockhampton market, South Rockhampton. Generally, suburbs of South Rockhampton such as The Range, Allenstown and Wandal remain highly sought after for their proximity to the CBD, schooling and hospitals and the elevation available in some areas to provide city views to the east or vast hinterland views to the west. Our southern suburbs are dominated by Queenslander style homes, and there is no room for growth or expansion due to the area being surrounded by flood plains, thus creating the desire for renovation in the area to update these character filled homes to encompass contemporary living. The majority of these renovations are completed by

long term owner-occupiers creating their forever home.

In the balance of the market, renovation activity still occurs, albeit to a significantly lesser extent, with some basic dwellings receiving a renovation to then be on-sold. After a period of limited renovation activity in the entry to mid-level market sectors, this renovation activity has fluctuated over the past 12 to 18 months.

Buy-in price points for renovators vary greatly, from sub \$250,000 for the investor renovator through to \$650,000 for the long term owner-occupier renovator. End values then vary just as much. Historically, the added market value of basic renovations once matched costs, however over recent months, due to the significant price rises occurring industry wide for construction materials, the room for profit has reduced. However, with the market now rising, profits for basic renovations can still be achievable if the property is purchased well.

There remains little to no evidence that the added value of major renovations will match or exceed the cost to construct for major projects for a quick on-sell, however with the current market conditions, if the renovated property is held, it is likely the rising market conditions will see a profit over the medium to long term.

Regardless of the extent of the renovation, it remains important to research the market you are renovating in to determine where renovation dollars will provide the best bang for your buck.

Is it wise to make structural changes to the home, or stick to cosmetic works only? A dwelling with a poor layout would benefit from a structural change to rectify, however if the existing layout remains functional, that money may be better directed elsewhere, such as a deck to better capture a view (as pictured at this South Rockhampton home). Being aware of town planning is also important when planning a renovation, particularly in older areas where compliance with perhaps a Heritage or neighbourhood character overlay is required.

For Rockhampton in particular, the renovator market will continue to bubble along, however the significant material and tradesperson shortage will likely have an effect in the short to medium term. This may result in some renovators choosing to hold off for better conditions.

Cara Pincombe
Property Valuer

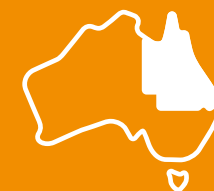
Gladstone

The recent construction boom has put a strain on the construction industry with extended waits currently being seen for materials. There has been a sharp rise in costs to build in the past six to 12 months, with these building costs rising faster than market values of dwellings.

This makes renovating difficult unless you are completing the renovation yourself, as it is also very difficult to find a builder or contractor who is not already booked solid for the next 12 months.

Most renovations we see are fairly simple, with the big ticket items such as the kitchen or bathrooms being modernised. There remains little to no evidence that the added value of these types of renovations will match the cost to construct, however with the current market conditions, if the renovated property is held, it is likely the rising

Month in Review
August 2021



RESIDENTIAL

Buy-in price points for renovators vary greatly, from sub \$250,000 for the investor renovator through to \$650,000 for the long term owner-occupier renovator.

market conditions will see a profit over the medium to long term.

We also see a few properties that have been purchased with the sole intention of renovating and then flipping back on the market. These properties are often purchased as mortgagee in possession properties and these so-called bargain properties are really few and far between these days. It's amazing what a coat of paint and a few other cosmetic refurbishments can do to a property's value and market appeal.

Regan Maye
Associate Director

Bundaberg

This month we are looking at renovations in the Bundaberg area.

In previous years, renovations were undertaken in the area with the hope of turning a profit after selling the property. Most previous years' sales did not achieve this and were lucky to get back around 50 per cent or so of what they put in.

This year things have changed.

With the slight upward trend in sale prices and large volumes of sales, renovators are now reaping the benefits of their hard work, achieving prices much higher than expected. This may slow down a little as timber prices and contractor prices increase with increased demand.

Catherine Kersnovske
Property Valuer

Mackay

This month, we take a look at the renovation revolution and the impact it's having on the Mackay residential market. Renovations fall into a number of different brackets. At the top of the tree, there have been several examples of builders entering

the renovation market, buying older style dwellings in poor condition and giving them the treatment - namely full rebuilds to provide a brand new fitout while retaining the character aspect of the original dwelling. The market has been very receptive of this product, with the latest sales between \$480,000 and \$500,000, or similar to a brand-new dwelling of equal size in some of the new estates. Now before everyone rushes off to Bunnings to buy a paintbrush, these dwellings have been renovated to a very high standard, often costing more than \$200,000 to complete.

An example is shown below of a recent property in West Mackay.



West Mackay property before Source: CoreLogic



West Mackay property after Source: CoreLogic

And another in South Mackay...



South Mackay property before Source: CoreLogic

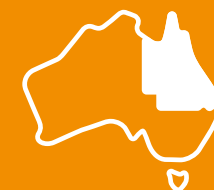


South Mackay property after Source: CoreLogic

The key to these types of renovations is to buy the property at a reasonable price to allow for profit at the end of the project. The examples shown above all purchased the "before" dwellings before the market began to rise. It is now becoming increasingly difficult to secure entry level dwellings at a price that would allow this type of capital expenditure without blowing the bank.

The biggest hurdle in the current market for renovations is not only the cost of materials but finding builders who are not already booked solid for the next 12 months. There has been a sharp

Month in Review
August 2021



RESIDENTIAL

rise in cost to build in the past six to 12 months, with these building costs rising faster than market values of dwellings.

Mick Denlay
Director

Hervey Bay

There has been an upward trend in renovation projects in Maryborough over the past year, particularly with more substantial projects such as extending existing dwellings or raising older high set timber dwellings and enclosing them beneath to create additional living space. These projects are mostly confined to long term owner-occupiers in the older established residential areas of Maryborough rather than the outlying localities such as Tinana and Granville. Access to the Home Builder grant has been a big driving force behind these larger projects in recent times. The lack of vacant residential land available in the area and the current wait time on new builds is also contributing to the upward trend in these larger renovation projects. The added value of these larger renovation projects generally doesn't match the cost of construction, however given our current rising market conditions, a profit may still be achievable if the property is held over the medium to long term. Renovating houses to sell for profit is still feasible in the area however the property has to be purchased well as there is a major shortage of construction materials which has resulted in significant price increases in recent months with additional increases forecast over the coming months which will reduce the room for profit. It has also become increasingly difficult to get a builder or tradesperson to

complete projects in the short term with most fully booked for the rest of the year and into 2022. This is resulting in excessively high quotes to have work done in a short time frame which highlights the importance of forward planning any renovation works and being prepared to wait to have work done.

Hervey Bay and other towns on the Fraser Coast are all following a similar trend. Trades are in high demand and most are employed in the new home construction sector. There are select builders that specialise solely in renovation work however wait time is considerable depending on the project. Owners need to be cautious with pricing for renovation works. Renovations generally cost more on a dollar rate per square metre than a new build, however recently we have seen some quotes for internal renovations such as bathrooms, kitchens etc that are excessively priced. We recommend obtaining multiple quotes and unfortunately you may need to wait if you want your builder of choice. Additionally, we recommend fully researching whether the renovation requires Council approval. We have seen many sale contracts delayed trying to determine if particular renovations or additions to the home have been approved or not and if they haven't been approved, the value of the property can be negatively impacted.

Tracey Werder / Doug Chandler
Valuers

Emerald

The renovator's market is not very active in the Central Highlands. We have seen a bit in the towns of Moranbah and Blackwater but it's rare in

Emerald. Most purchasers prefer the work to be complete before buying and are prepared to pay the premium if everything is already at an above average standard. Typically those who buy a house with dated fitting and fixtures only update the kitchen and bathroom but more often than not put money towards sheds, pools and outdoor areas. I'm not aware of one property in Emerald that qualified for any government renovation package or incentive. Trying to get a builder to complete a renovation is also a difficult task.

Kerry Harrold
Valuer

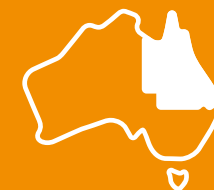
Townsville

Activity within the homeowner renovation sector continues to see interest, particularly in the inner-city fringing suburbs such as West End, Hermit Park, Railway Estate and the inner suburbs of South Townsville, Belgian Gardens and North Ward. Whilst this activity remains healthy, anecdotally it appears short of where the level of activity was prior to the onset of the building boom.

Noticeably the number of house flippers in the market has reduced compared to 12 months ago, as the volume of stock in the low \$200,000 price bracket has depleted. Whilst there remains opportunity for onselling this product in the current improved market, the buy in cost now is such that it is eating into overall profit margins. The increased cost of building materials is another factor impacting the overall profitability.

When considering a renovation in the current market, the top tips are to choose the location carefully. Houses within a five-to-eight-kilometre radius of the city centre are likely to provide some of the better opportunities. Consider adding extra accommodation such as reconfiguring the existing floor plan to

Month in Review
August 2021



RESIDENTIAL

Additionally, we recommend fully researching whether the renovation requires Council approval.

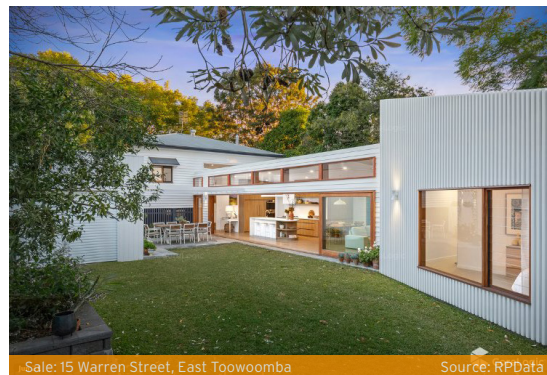
change a two- or three-bedroom home into a three- or four-bedroom home. And finally, make sure that the renovation is fully completed. Buyers continue to prefer renovated properties requiring little work, with the age old saying that "I'd rather be opening a can of beer (bottle of wine), than a can of paint" still ringing true.

Darren Robins
Director

Toowoomba/Darling Downs

There has been a considerable growth in property owners undertaking extensive renovation projects in recent years, with an increase in this activity certainly observed in the previous 12 months. This activity has been generally driven by current strong local sentiment, government subsidies and the low interest rate environment. In the Darling Downs region, this is particularly evident in the City of Toowoomba especially in the well regarded and sought after suburb of East Toowoomba which generally comprises older, character timber dwellings, some with expansive rangeside views. There is limited availability for the potential for new development within this suburb due to very limited vacant parcels of land available for purchase. Some notable renovations for this locality have maintained the original cottage style façade and have been extended to the rear with two-storey contemporary style additions or gut-renovations internally of existing properties.

An example of this is a recent sale of a property in East Toowoomba currently under contract for \$1.36 million. This property had been extensively renovated and extended within the previous 12 months.



Many of these renovations in the past have been completed by owners of local, custom-building groups as their own personal residence and then on-sold. Therefore it is difficult to comment on the profitability of carrying out such an extensive renovation. However, we have recently seen an increase in medical professionals and local upgraders purchasing existing properties with the purpose of engaging the services of local custom building groups to complete extensive renovations of properties in East Toowoomba. There is a great level of interest in well renovated character dwellings in East Toowoomba, which are generally in the \$750,000 plus price bracket depending on the size, features of the dwelling, ancillary

improvements such as pools and particularly the land size.

Renovation costs are currently high and in many cases, the cost of completing an extensive renovation is not reflected as added value on a dollar per dollar basis. The challenge now facing buyers is the availability of suitably skilled tradespeople with the current strong demand for their services now drastically extending construction times and increasing construction prices. Many local construction companies have commented that the increase in the price of materials has increased building contract amounts between 10 per cent and 25 per cent on similar building contracts entered into 12 months previously, with further price increases expected. This is continuing to erode their margins with some construction companies choosing to rescind these fixed price contracts or requesting further payments from their customers during construction to cover the additional increased costs.

Nearby suburbs such as Mount Lofty and North Toowoomba are also seeing some renovation of older style timber homes, but to a lesser extent than East Toowoomba. There is significantly less home renovation being carried out in the lower price brackets and in other suburbs across Toowoomba, along with limited renovation activity occurring within the attached housing or unit market where the added value of a proposed renovation or extension is not reflected on a dollar per dollar basis as perceived by the market. There is also lesser renovation and extension activity occurring in our regional areas such as Warwick, Stanthorpe, Gatton, Kingaroy, Goodiwindi, Roma and Dalby given the significant costs associated with a renovation, lack of available qualified tradespeople and that again,



the added value is not reflected on a dollar per dollar basis as perceived by the market.

A tip for any renovator is of course to plan a budget and stick to that as closely as possible and to understand that there are always going to be delays. It is important to select a builder who is going to communicate effectively with you and explain the process thoroughly so that you know what is happening at each step of the build and who is going to take the time to discuss all the costs associated with your renovation prior to beginning any project.

If you are renovating your forever home or even your in the foreseeable future home, then works you complete now should (in theory) still service the needs of you and your family in the years to come. If your renovation is motivated by increasing the value of your property, do your research and liaise with local property professionals regarding what is being sought after in the area and what you could do to improve your home, and when it comes to renovating for profit, there are always areas to focus on that add more value to your home than others, so you will need to plan your budget appropriately.

Marissa Griffin
Director

Month in Review
August 2021

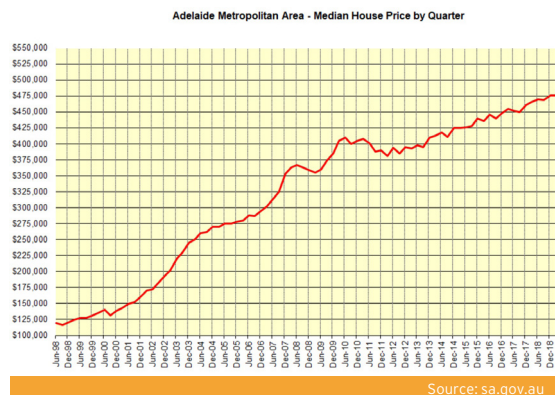


RESIDENTIAL

South Australia

Adelaide

With many south Australians being stuck at home throughout 2020 and the added benefit of the home builders grant, renovations have become popular for both owner-occupiers and investors. June quarter data has revealed another record high metropolitan median sale price of \$540,000. The rising market and limited stock have created a dynamic where many owner-occupiers have chosen to renovate rather than sell and upsize whilst investors have renovated to cash in on the ballooning market.



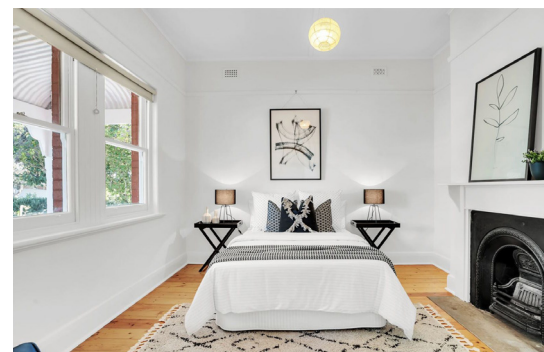
Properties undergoing renovation have been found throughout metropolitan Adelaide albeit more defined to the established suburbs. Depending on location, a renovation can be as

significant as a full internal strip back in those suburbs characterised by pre 1980s dwellings or as minor as a coat of paint and updated window furnishings in those suburbs characterised by 1980s to 2010s dwellings. Dwellings located in the more recently established suburbs, post 2010, characteristically provide modern fixtures and fittings with renovations typically a want rather than a need.

A common question asked of valuers is what could we do to our property to increase the value? The easiest form of renovation is a pre-sale face lift: floors, walls and lights. New floor coverings, a fresh coat of paint and bright warm lights can transform a space with minimal output. Requiring a larger capital outlay but one of the biggest selling points are kitchen renovations. Kitchens are typically the space in any house where we congregate and spend a significant amount of time. A renovated and functional kitchen will provide any homeowner with a sense of space and a future selling point if ever put to market. The final tip is always have consideration of the future sale of your property when renovating, as what may appeal to you may not appeal to the broad market.

The recent sale of 48 Richmond Avenue, Colonel Light Gardens gives an example of a pre-sale facelift. This is a circa 1925 single level detached dwelling with original fixtures and fittings

throughout. Prior to sale the property had the timber floors polished and internal walls and ceilings painted, brightening up the property prior to sale.



48 Richmond Avenue Colonel Light Gardens Source: realestate.com.au



48 Richmond Avenue Colonel Light Gardens Source: realestate.com.au

When discussing renovations, the concept of over-capitalisation should be a consideration. To over-capitalise means to improve a property beyond its potential resale value. Good practice for those considering a renovation is to determine the market

Month in Review
August 2021



RESIDENTIAL

A common question asked of valuers is what could we do to our property to increase the value?

value of their property and to keep an eye on sale prices being achieved for renovated dwellings in their area. This will help aid the consideration for capital outlay, ensuring that current market value plus capital outlay doesn't considerably exceed the sale prices of the renovated dwellings.

The 2020 boom in construction and global border restrictions in place have made some building materials difficult to source. The most discussed material has been timber, with builders now resorting to using timber veneer beams for framing and trusses. Builders have indicated they are advising clients to have made all selections prior to any construction works commencing and to minimise mid construction variations to avoid potential delays during the construction period. With no end in sight to border restrictions and limited global transit, it appears that the lack of supply of building materials to Australia will be extending into 2022.



With the market on the rise and projected to rise further, investors have been active in this market buying homes in original condition, completing renovations and capitalising on the improvements made and rising market.

A great example of this is the sale of 30 Gage Street, Morris which was purchased for \$607,500 in January 2020. At the time of this sale the property presented in below average condition with a basic fit out. The dwelling has since been extensively

renovated internally with additional capital works being completed to the yards. The property was put back to market in February 2021 once the renovations had been completed, achieving a price of \$953,500 after being advertised with an indicative price guide of \$860,000.



As detached dwelling prices increase, units have become popular as they provide a more affordable entry point. Owners are limited with the capital works that can be completed on units with works restricted to the internal walls. The biggest tip with unit renovations is ensuring the proposed works are approved by strata management and the strata committee prior to

the commencement of any works. An example of a recent unit renovation is 6/57 East Terrace, Kensington Gardens. This is a semi-detached strata unit comprising two bedrooms, one bathroom and a single garage and was purchased for \$415,000 in 2018 with an original fit out. The unit has since been extensively renovated and remodelled and is now currently under contract after having been listed with an asking price range of \$480,000 to \$530,000.



With plenty of time at home and limited movement, many homeowners have decided that now is the time to complete that renovation project they have been thinking about for the past five years. For



those jumping in headfirst, remember to have a budget and be prepared for a possible lag time in sourcing materials.

Nick Smerdon
Property Valuer

Mount Gambier

Renovation activity in the Mount Gambier market has seen a rise throughout the COVID pandemic period. We have noticed during our daily inspections that home projects are more active. Upgrades and maintenance are being undertaken more frequently as home owners now have more time to complete projects they may have put off in the past.

Different price points do play a part in renovation projects, with older established housing usually being renovated below \$300,000. Older established housing above \$400,000 is also being renovated however this is less frequent due to less stock available on the market and is usually in highly sought-after locations.

In the current rising market within Mount Gambier, renovation is still feasible if a number of works can be undertaken by the owner. If a full renovation is required by trades, it is quite easy to over-capitalise in the current market due to escalating costs because of high demand and material shortages.

We have seen several renovated properties sell for profit in the current market conditions. These properties are typically situated in demand locations including central to the CBD and the lakes. An example of a recently renovated property which sold for a profit is 1/53 Bertha Street, Mount Gambier. The property was purchased in 2018 for \$183,000 in a softer market and following a full renovation, sold in 2021 for \$330,000.



Some tips for renovating in the current market are to do your research before purchasing, try to buy a property in a highly sought-after location, keep to a budget, be wary of overcapitalising and know your target market. Before purchasing a property to renovate, do some estimations of costs to renovate the property. Once you know the cost to renovate and your purchase price, do some market research to see whether your total cost (purchase cost plus renovations) will be around the price that renovated properties are selling for. If it is above, then this is an indication you will be over-capitalising. This is where it can be helpful to speak to your local valuer and get a valuation prepared to determine if the renovation works are feasible.

Lauren Kain & Adrian Castle
Valuers

Month in Review
August 2021



RESIDENTIAL

Western Australia

Perth

With the various government grants to construct new dwellings now finished, it may be an opportune time for homeowners throughout Western Australia to start looking to renovate, especially given that the current strong demand and recent price increases in many locations have led to better equity positions for many homeowners. In fact, the Housing Industry Association (HIA) reports that a total of \$39 million was spent on renovations in 2020 and, according to the Perth Renovations Co., 38 per cent of Australians plan to start renovating their homes in 2021.

The renovation market in Western Australia is not protected from the trade shortage with nearly all projects having an extended lead time due to there simply not being enough skilled workers available; a shortage of construction materials is compounding the issue. Master Builders Association of WA Chief Executive John Gelvais has stated that residential property construction times have roughly doubled, and we are seeing signs that this may be a conservative estimate. At the moment it is near impossible to find a tradesperson not busy or booked out well in advance resulting in a sharp decline in construction starts as the market is wary of the increased costs and uncontrollable timeline associated with new construction.

Despite the wait, plenty of homeowners are pressing on with renovations. The HIA reports that kitchen and bathroom renovations are set to increase as the kitchens and bathrooms constructed during the previous building boom at the start of this century age. Of all kitchen renovations undertaken in 2020, 61 per cent resulted in a larger kitchen area and 21 per cent of bathroom renovations resulted in a larger area, as per the HIA Kitchens and Bathrooms report. Plenty of owners are also looking to refurbish with a fresh coat of paint and render on the external walls or update floor coverings internally. There also appears to be an increase in external ancillary renovations such as updating the back patio with café blinds and feature timber decking.

Renovation costs can vary significantly depending on what aspect of the property is being renovated. As reported by hipages.com.au, kitchen renovations are the most expensive improvement with a general price range of \$10,000 to \$45,000 and upwards, with labour making up the bulk of costs. This is due to licensed trades such as electricians, plumbers and builders, who are currently in strong demand, being the main trades required. Coming in at a close second is bathroom renovations with a price range of approximately \$10,000 to \$35,000 and upwards. The cost of tiles is reported to be one of

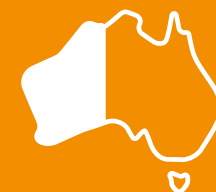
the largest contributing factors at present. Given the current shortages in Western Australia, the costs are likely to be much higher than mentioned above for a quality job. We are hearing stories of renovation companies insisting that clients provide all their own fixtures due to the difficulties associated with securing supplies.

There are many factors to consider when determining the cost of a renovation. Quality of finishes, fixtures and fittings, removal or alterations of walls and extensions are all factors to consider and decisions that can lead to an exponential price hike. A simple way to reduce costs is to leave the kitchen in the same place if you are planning a kitchen renovation, as moving plumbing and electrical connections is a significant cost factor. Given the amount of time spent in lockdown over the past 18 months, many renovators are opting to DIY more simple tasks such as the demolition, painting and decorating where possible.

The strongest increase in renovation activity in the metropolitan area has come from the older established suburbs. On the fringes we have suburbs such as Oakford, Darling Downs and Cardup. Just south of the CBD we have Willetton, Leeming, Bull Creek, Shelley and Rossmoyne. Along the north coast, it's Duncraig, Carine and Karrinyup. The inner-city suburbs such as Inglewood, Mount

Master Builders Association of WA Chief Executive John Gelvais has stated that residential property construction times have roughly doubled, and we are seeing signs that this may be a conservative estimate.

Month in Review
August 2021



RESIDENTIAL

Lawley and Mount Hawthorn are always steady in the renovation market with plenty of owners taking the opportunity to blend an old character home with an internal modern make-over. Whilst renovations are tailored to each property, the most common renovation is updating the kitchen, bathroom and floor coverings to bring the house into the 21st century.

Taking a closer look at the outer suburbs, it appears that renovated hobby farms and dwellings on acreage are currently attracting high levels of interest from people who presently reside in the inner suburbs. Demand is especially high where quality kitchen and bathroom renovations have been completed. Traditionally, it can be very easy to overcapitalise on outdoor areas in these suburbs, however in a rising market such as this, it is less of an issue as people are willing to pay a premium for high quality ancillary improvements. Houses that have undergone relatively recent upgrades are currently exceeding agents' expectations on the open market.

75 Foxton Drive, Oakford recently sold for \$1.56 million, after approximately 81 days on the market. This property sits on two hectares and boasts top of the range bathroom and kitchen renovations, as seen below. According to RP Data, the property was listed in 2015 for \$1.395 million but failed to sell.

A little further off the beaten track is 12 Jade Street, Mount Richon. The property is a split level circa 1980 four-bedroom, two-bathroom family home with recently renovated kitchen, bathroom and en suite. The property is currently on the market at an asking price of high \$400,000s to mid



75 Foxton Drive, Oakford - Kitchen 2015 Source: RP Data Corelogic



75 Foxton Drive, Oakford - Kitchen 2021 Source: RP Data Corelogic

\$500,000s. We have been advised by the selling agent that there are strong expressions of interest for this property. This property was purchased in 2015, unrenovated, for \$435,000.

Just 14 kilometers south of the Perth CBD is the established suburb of Leeming. The majority of dwellings in Leeming were built circa mid to late 1980s and host four bedrooms and two bathrooms and occupy 700 to 800 square meters of land. These properties present a great opportunity for



75 Foxton Drive, Oakford - Bathroom 2015 Source: RP Data Corelogic



75 Foxton Drive, Oakford - Bathroom 2021 Source: RP Data Corelogic

families who would still love the large backyard with open plan living to update internal features of the property. To complete the most typical renovation of updating the kitchen and bathroom, renovators are currently looking in the range of \$80,000 to \$120,000. This range can quickly broaden if extensions or internal alterations were to be included. A high-quality kitchen and ensuite renovation, including a scullery, stone bench tops and floor and wall cupboards, is likely to be upwards of \$100,000.

8 Fowler Row, Leeming sold in March 2021 after just seven days on the market for \$820,000, according to RP Data. It was purchased for \$520,000 in

The strongest increase in renovation activity in the metropolitan area has come from the older established suburbs.

Month in Review
August 2021



RESIDENTIAL



12 Jade Street, Mount Richon - Bathroom 2011 Source: RP Data CoreLogic



12 Jade Street, Mount Richon - Kitchen 2014 Source: RP Data CoreLogic



8 Fowler Row, Leeming Source: CoreLogic



12 Jade Street, Mount Richon - Bathroom 2021 Source: RP Data CoreLogic



12 Jade Street, Mount Richon - Kitchen 2021 Source: RP Data CoreLogic



8 Fowler Row, Leeming Source: CoreLogic

2006 in similar market conditions after 16 days on the market. This recent sale was over \$100,000 above the suburb's median sale price. The property boasts wonderful internal features such as a sunken lounge and timber accents but it was the recently renovated kitchen that was its main selling point. The kitchen has a massive 4.5 metre stone benchtop or breakfast bar with plenty of cupboards, dishwasher and wall oven. This is just one example of what some renovations can do to a property in the current market.

Moving across the river to Perth's north coast, there has been a steady increase in renovations in good locations such as Trigg, North Beach,

Duncraig, Carine and Karrinyup. Properties in these locations are typically situated on decent sized lots and are improved with dwellings offering a generous living area. It must be said however, that there is a delicate balance between renovating an older home in a great location versus demolishing and starting new if the current improvements are an under-capitalisation of the block.

56 Lynn Street, Trigg sold (off market) in February 2021 for \$950,000, according to RP Data. This property is a circa 1967, unrenovated three-bedroom, two-bathroom dwelling, pictured below. Just down the road is 97 Lynn Street,

Trigg which also sold in February 2021 for \$1.24 million (pictured below). This property is a circa 1973 fully renovated four-bedroom, two-bathroom dwelling with stone bench tops, a pool and wood fired pizza oven in the modern rear alfresco. The difference in sale prices between these properties demonstrates that demand for well renovated properties is strong in coastal suburbs and that buyers are willing to pay a premium for a well presented property with modern features.

In the well-established coastal suburbs of Scarborough and Doubleview where older character dwellings are becoming scarce as each new development appears, premiums are being





56 Lynn Street, Trigg - Kitchen

Source: RP Data



97 Lynn Street, Trigg

Source: RP Data Corelogic



212 St Brigids Terrace, Doubleview

Source: RP Data Corelogic



56 Lynn Street, Trigg

Source: RP Data



97 Lynn Street, Trigg -kitchen

Source: RP Data Corelogic



147 Deanmore Road, Scarborough

Source: RP Data Corelogic

achieved for tastefully renovated character dwellings. For instance, 212 St Brigids Terrace, Doubleview sold in May 2021 for \$990,000 after six days on the market, as per RP Data. This property is a renovated circa 1948, four-bedroom, two-bathroom character dwelling with modern features such as stone bench tops and exquisite floor and wall tiled bathrooms, whilst also retaining many of the original internal and external character features. Closer to the beach, 147 Deanmore Road, Scarborough sold in May 2021 for \$1.165 million after five days on the market, as per RP Data. This property comprises a similarly renovated circa 1948, three-bedroom, two-bathroom character dwelling which also

retains the character features, especially the prominent street elevation. Both achieved sale prices similar to what modern well-appointed dwellings are presently achieving in the area. This supports the case for renovating the right property in the right location.

As touched on earlier, the current trade shortage and lack of building supplies has propelled construction costs in Western Australia to new heights. Homeowners looking to renovate are to expect a longer wait time and higher quotes than ever. For those looking to renovate and make a profit, it simply comes down to the extent of works being undertaken. Depending on the scope

of work required, contingency costs are subject to increases as the project becomes larger. With profit being the end goal in mind it would be recommended to cut costs wherever possible. Doing the demolition work of the old kitchen bench and cupboards or the bathroom vanity and tiles is a great way to blow off some steam and save on some excess costs. Laying the floor coverings, installing the curtains and blinds or doing the painting are also great ways to cut costs and really customize the property - if you have the skill set to do a professional job. The biggest saver though, is to self-manage the project. This would be strongly advised for renovations where structural alterations are not required and



a builder is not necessary. Self-managing the project also gives the opportunity for renovators to seek multiple quotes from various trades (a minimum of three would be ideal) and make informed decisions. It must always be kept in mind when renovating for profit that money spent does not always equal value. For those looking to just spruce up a property to make it competitive on the market, a simple refurbishment can work wonders. A fresh coat of paint, new carpets and tiles, tidy landscaping or rendered brick work can always help a property sell quicker.

Others renovate in order to attain their dream home. A renovation may be less stressful than selling, buying and moving into a new home. It also provides the opportunity to save on the selling and purchase costs that come with relocating. For others, it may be that they are already in their perfect location and would just love an updated dwelling. Renovating gives owners more opportunity to customise their dwelling as opposed to being presented with a select few designs from builders.

There is an opportunity to renovate a property everywhere; the motive behind the renovation however, should be a key factor when deciding. For those looking to buy, flip and sell, large family homes in older suburbs such as Mount Lawley, Carine and Leeming all present viable options. It is important to keep in mind that the renovations should be consistent with the target market of that area. For those looking to renovate with the goal of creating their ideal home, there are no guidelines to follow as a renovation of this nature is a personal decision.

Chris Hinchliffe
Director

Month in Review
August 2021



RESIDENTIAL

Northern Territory

Darwin

The dream for home renovations has been somewhat stifled in 2021 following 2020 when the NT government offered wonderful incentives throughout the year. One-time grants of up to \$6000 were offered to homeowners to complete permanent physical improvements to their premises if homeowners contributed \$2000 of their own money. Grants of up to \$10,000 were also offered to businesses owners through the Business Improvement Grant program to refit their shop fronts or buy new equipment. With many Territorians taking up the opportunity of the grants, we eventually saw a shortage of tradespeople and in turn the lead time for completing works increased along with the quotes as the trades had a plethora of work to choose from. The work for these grants flowed into 2021.

When taking on a home renovation, it is critical to understand that not all improvements to the home necessarily add value to the property. What I mean by this is that the cost of certain improvements may not be reflected in the added value to the property once completed. In some instances, homeowners can over-capitalise, making changes that have use and benefit for themselves but not for the wider market or making changes to fixtures and fittings which still had utility.

Homeowners can find it hard to understand that I spent \$X renovating this part of the property, so the value of my property should increase by \$X amount and more, when more often than not in The Territory it is the opposite, so let's look at the three points outlined in the first paragraph.

Overcapitalisation

In Darwin we love our toys. By toys, I mean boats, caravans, quad bikes etc, anything with an engine. With all these toys we need to house them, so we will often find residential properties where the shed can be bigger than the home itself. Such are our priorities.

Large sheds on residential properties are a huge selling point and often you will find these sheds are accepted by the wider market and increase the demand for the property. With that said, what we often find when valuing the property is that the cost to construct and install a large garage shed (50 plus square metres) is not reflected in the value increase in the sales price when considering residential properties.

Sheds.... we love them, but the cost to construct compared to the added value to the property is a good example of how to over-capitalise on a residential property in Darwin.

Specific changes to the home to increase utility for that owner

When we renovate, we make changes to our home to suit our needs at that point of time in our lives or to our specific taste. For example, as people age, they will often install access ramps and handrails around the property to help with access for the elderly occupant. These improvements will have huge benefits for the current user, but not necessarily for the wider market. The cost to install normally does not reflect any added value to the home.

Current fixtures or fittings still had utility

Renovating kitchens and bathrooms is something most homeowners attempt within their lifetime. The cost of these renovations is not cheap and it does need to be understood that once complete, a new kitchen or bathroom will add value to the home, but it will not always add as much as it cost to install. There are a couple of reasons for this, one being that the current fixtures still had utility and in turn still had value attached. In removing the older kitchen, you are essentially removing value before adding more with the new kitchen. Think of what the home is currently worth with the current kitchen, and then what it would be worth with no kitchen at all - the difference is the value attached to the current kitchen as it still has utility and can be used.

Builders remain busy, despite the fact that there's virtually no vacant land available for sale at the moment, a situation that's likely to continue until early 2022 when the next stage of the Kilgariff development is completed.

Month in Review
August 2021



RESIDENTIAL



38 Curlew Circuit, Wulagi

Source: realestate.com.au

There are many homes in the northern suburbs of Darwin and certain pockets of Palmerston that are perfectly positioned for renovation and upgrade. We are now approaching 50 years since Cyclone Tracy and while many northern suburbs properties are 40 plus years of age, there are many homes with good bones in need of renovation. I recommend anyone who is looking to take up a home renovation to think of a couple of things: with the current floor plan, can you add extra living areas? Does the current floor plan allow for another bedroom or bathroom? Many of the properties constructed after Cyclone Tracy were three-bedroom, one-bathroom homes. Adding another bathroom (ensuite to main) will immediately add utility to the home and value in a market expecting two bathrooms in family homes.

In Anula, Wulagi you have the ever-popular PDC4 home where the easy conversion of the carport, store room and laundry into a fourth bedroom, walk-in robe and ensuite is the best example of adding immediate value and utility to the home or a C19 elevated home, with a conversion of the store room downstairs and additional living space added, you can add another bedroom and bathroom quickly and affordably.



86 Curlew Circuit, Wulagi

Source: realestate.com.au



86 Curlew Circuit, Wulagi

Source: realestate.com.au

Always keep in mind the price point that buyers are willing to spend in each suburb as some areas have their limits. If there is still utility in some fixtures, do they really need to be replaced? And remember, a home reno should be fun and not stressful.

Time to start your Pinterest wall for inspiration!

Peter Nichols
Valuer

Alice Springs

In this submission we are throwing the spotlight on home renovations. This activity has certainly been popular in the past 12 months, thanks in no small part to the NT Government's Home Renovation

Grant Scheme. The response to this scheme was overwhelming and the government was forced to wind up the scheme suddenly due to the larger than predicted demand. The scheme was intended to help tradespeople survive the COVID outbreak and provide them with a steady stream of work, which would in turn provide stimulus to the general economy. They certainly succeeded, with many people looking to do renovations finding that tradespeople were booked out months in advance, a situation that persists today.

We are aware of a couple of recent instances where homeowners were looking to do extensions to their existing homes but the builder's quotes were very high and lead times were long, so the projects did not go ahead. Builders remain busy, despite the fact that there's virtually no vacant land available for sale at the moment, a situation that's likely to continue until early 2022 when the next stage of the Kilgariff development is completed. In the meantime, builders seem to have enough projects in the pipeline to keep them busy. A number of builders are undertaking speculative building projects for themselves, with a view to sell upon completion or retain as long-term investments.

The majority of renovation projects being undertaken are on owner-occupied dwellings and units, with some investment properties getting an update and a small proportion of the market looking to buy, renovate and sell. There is certainly money to be made in flipping houses and units, but it requires some experience and owners need to be wary of over-capitalising.

The government grant scheme was only available for owner-occupiers, and so this is where we have seen the majority of home renovation projects take place. As always, bathrooms and kitchens are the primary target areas for renovations and can

certainly lift the overall amenity of a home if done well. In addition to adding value to the home, it also makes it more marketable from a real estate agent's perspective, which hopefully translates to more potential buyers, a quicker sale and a higher sale price.

Renovation hints and tips

- Make sure the proposed renovation and its overall cost are commensurate with the individual home and its location. There's no point spending \$50,000 on a kitchen renovation of a basic two-bedroom unit as you're just not going to get your investment back when it comes time to sell.
- Do your research. Attend open homes and view properties for sale online to see what other homeowners are doing. Talk to a number of potential suppliers before choosing a tradesperson to do your renovation. You'll generally find tradies with a lot of work on will quote higher than one who has less work in the pipeline. Quiz friends and family who may have undertaken renovation projects recently to find out some of their recommendations, tips and potential pitfalls.

Peter Nichols
Valuer

Month in Review
August 2021



RESIDENTIAL

Australian Capital Territory

Canberra

The Canberra residential market has continued to surge forward well into 2021, with little indication of any change in momentum in the short term. Current interest rates coupled with historically low stock levels have ensured high auction clearance rates and maintained a seller's market.

While existing homeowners looking to upgrade may be tempted to take advantage of current market conditions and cash in, the premium achieved will be effectively absorbed by the premium paid for the next purchase. This coupled with people spending considerably more time at home has resulted in an increased volume of people electing to undertake renovation and extension works to their existing properties rather than attempt to sell and re-enter the market. Discussions with local builders and a notable increase in the number of valuations undertaken on an as if complete basis for renovation or extension purposes indicates that this is on the rise.

The increased number of homeowners looking to undertake these types of works has resulted in available builders becoming a scarce commodity. This combined with the nationwide shortage of framing timber has resulted in an increase in building costs which is being passed directly to the end consumer.

Throughout the year we have also observed an increase in the volume of property investors electing to renovate and on sell properties with the sole intention of profiting from the current market conditions. This however is becoming a more difficult undertaking as few properties are selling below expectation or without a premium. Add the increase in construction cost and the margin becomes less appealing.

David Jordan
Valuer

The increased number of homeowners looking to undertake these types of works has resulted in available builders becoming a scarce commodity.

Month in Review
August 2021



RESIDENTIAL

Tasmania

Hobart

Given the dire supply shortage of both detached dwellings and units and townhouses, it seems logical to renovate and improve your current abode doesn't it?

The short answer is yes, but getting a builder to provide a quote is getting harder and harder. I have even heard of builders starting to charge for a cost estimate as there are too many projects out there, whether it be for renovations or new constructions.

Supply shortages of materials and labour is increasing the costs for renovations and in most cases, there is no value benefit in carrying out renovations. This is where it becomes a lifestyle choice, not an investment. With the current property market skyrocketing, the option to sell and upgrade has the potential for disappointment as properties are selling in excess of 10 per cent of the asking price with multiple offers presented to the vendors. So many potential purchasers are missing out and are therefore getting desperate to get into the market and are encouraged to offer well over the listed price.

I recently inspected a property where the intention was to enclose a covered outdoor area of 33 square metres and provide a new covered pergola of 28 square metres. It is to be completed to a

turnkey standard; however the quote came in at an astounding \$172,000. Fortunately, in this instance, the residence is situated in a sought-after suburb and the cost of the increased living area will be accounted for in added value. Try doing this in a lower socio economic area and the results will be quite the opposite.

I am quite regularly seeing construction contracts where the owners are deciding to complete those works they're capable of tackling themselves to keep rising costs down.

In a nutshell, if you are in a good location, renovations may well be the way to go but don't be surprised by the quote to complete the works. If you are on a tight budget, be prepared to get your hands dirty to save some dollars. If you are on the outskirts of Hobart where prices are somewhat lower, perhaps a fresh lick of paint, new floor coverings and a prefabricated kitchen is the way to go. On the other hand, if you can secure a block of land, it may well be more affordable to build from scratch but sourcing a block of land is also getting harder and more expensive by the day.

Mark Davies
Property Valuer

I am quite regularly seeing construction contracts where the owners are deciding to complete those works they're capable of tackling themselves to keep rising costs down.

Month in Review
August 2021



RESIDENTIAL



Property Market Indicators

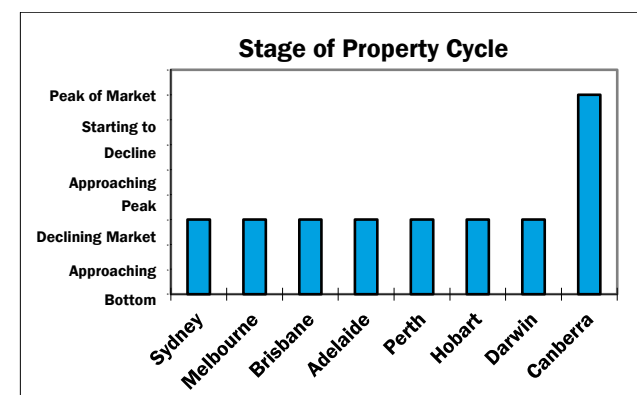
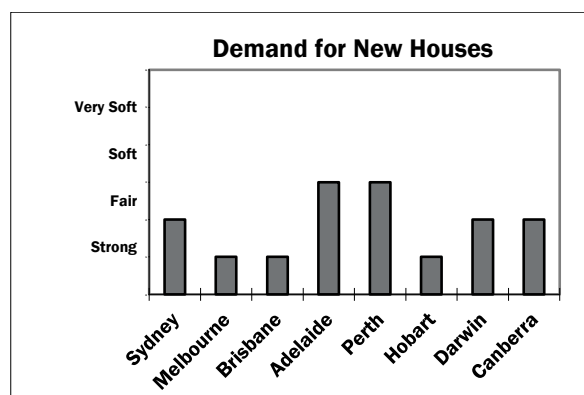
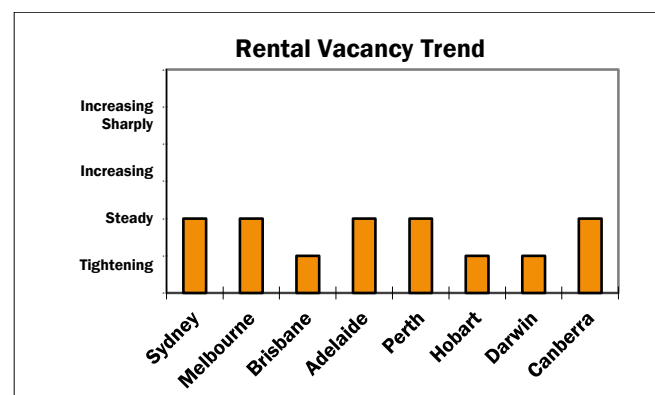
August 2021

Capital City Property Market Indicators – Houses

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening sharply	Tightening	Tightening	Tightening sharply	Tightening sharply	Tightening
Demand for New Houses	Strong	Very strong	Very strong	Fair	Fair	Very strong	Strong	Strong
Trend in New House Construction	Steady	Declining significantly	Steady	Steady	Declining significantly	Declining significantly	Declining significantly	Declining
Volume of House Sales	Increasing	Increasing strongly	Increasing strongly	Steady	Increasing	Increasing strongly	Increasing	Increasing strongly
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Frequently	Occasionally	Almost always	Occasionally	Occasionally

Red entries indicate change from previous month to a higher risk-rating

Blue entries indicate change from previous month to a lower risk-rating



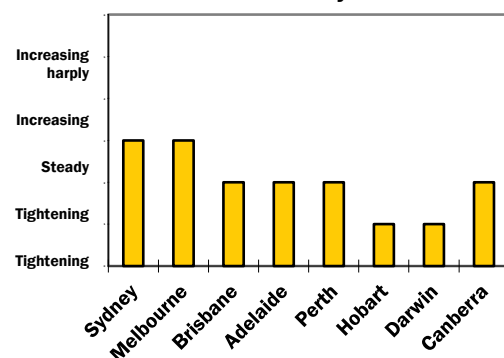
Capital City Property Market Indicators – Units

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Tightening	Tightening	Tightening	Tightening sharply	Tightening sharply	Tightening
Demand for New Units	Fair	Fair	Strong	Fair	Strong	Very strong	Fair	Fair
Trend in New Unit Construction	Increasing	Steady	Steady	Increasing	Declining	Declining significantly	Declining	Declining
Volume of Unit Sales	Steady	Steady	Increasing	Steady	Increasing	Increasing strongly	Increasing	Steady
Stage of Property Cycle	Start of recovery	Start of recovery	Start of recovery	Rising market	Rising market	Rising market	Start of recovery	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Almost never	Occasionally	Occasionally	Occasionally	Almost always	Almost never	Occasionally

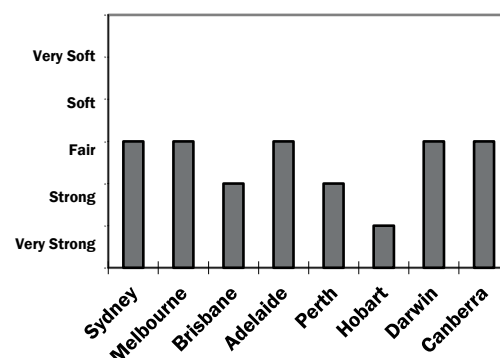
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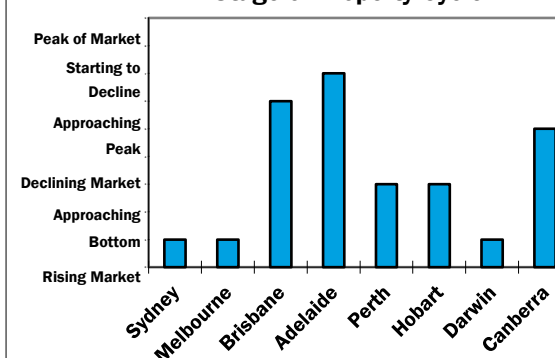
Rental Vacancy Trend



Demand for New Units



Stage of Property Cycle

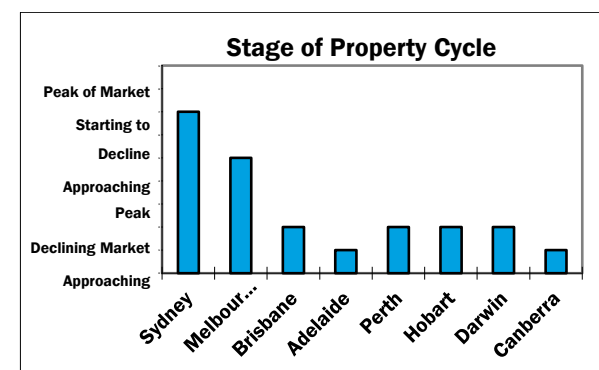
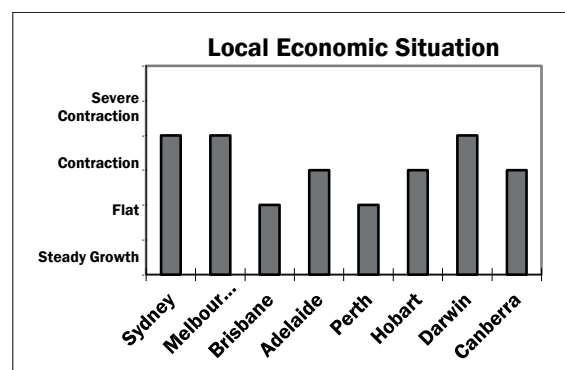
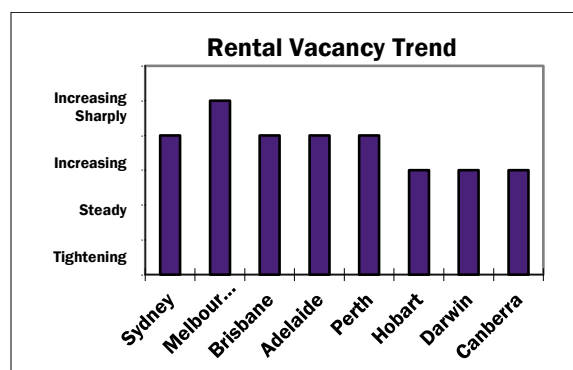


Capital City Property Market Indicators – Office

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Increasing sharply	Increasing	Increasing	Increasing	Steady	Steady	Steady
Rental Rate Trend	Declining	Declining	Declining	Stable	Declining	Declining	Stable	Stable
Volume of Property Sales	Declining	Declining	Increasing	Steady	Declining significantly	Steady	Steady	Steady
Stage of Property Cycle	Starting to decline	Declining market	Bottom of market	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Start of recovery
Local Economic Situation	Contraction	Contraction	Steady growth	Flat	Steady growth	Flat	Contraction	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Large	Significant	Large	Significant	Large	Large

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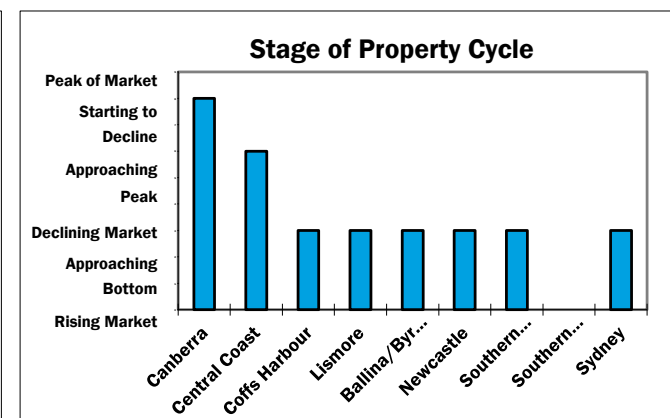
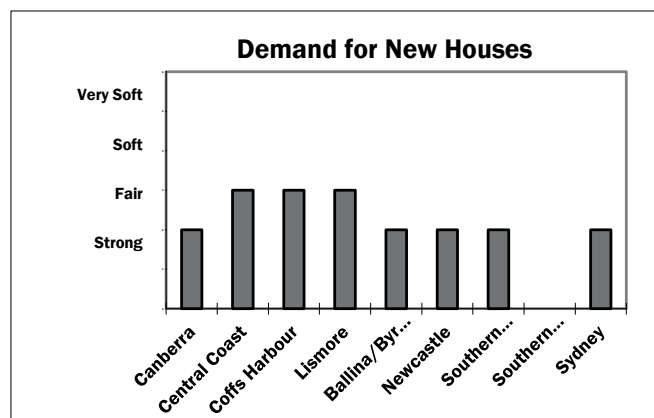
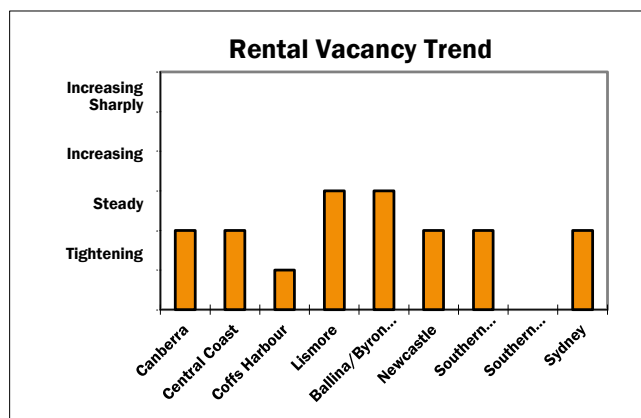


East Coast New South Wales Property Market Indicators – Houses

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening sharply	Steady	Steady	Tightening	Tightening	Tightening
Demand for New Houses	Strong	Fair	Fair	Fair	Strong	Strong	Strong	Strong
Trend in New House Construction	Declining	Steady	Declining	Declining	Declining	Declining	Declining	Steady
Volume of House Sales	Increasing strongly	Increasing	Increasing strongly	Steady	Steady	Increasing	Increasing strongly	Increasing
Stage of Property Cycle	Peak of market	Approaching peak of market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Almost never	Almost never	Occasionally	Very frequently	Occasionally

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Blue entries indicate change from previous month to a lower risk-rating

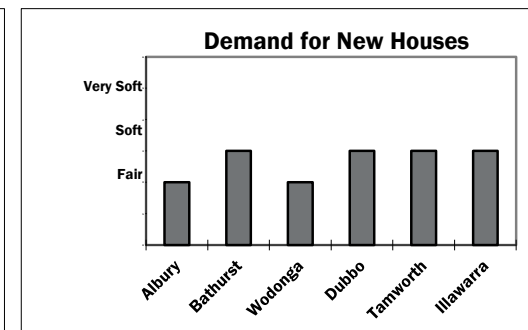
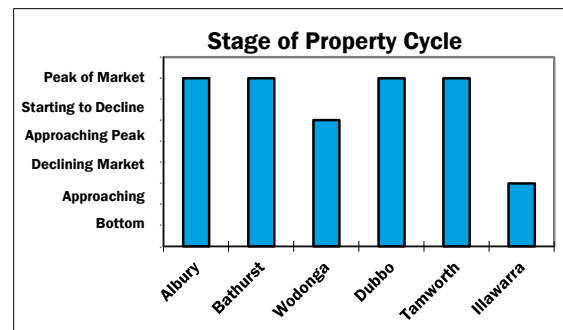
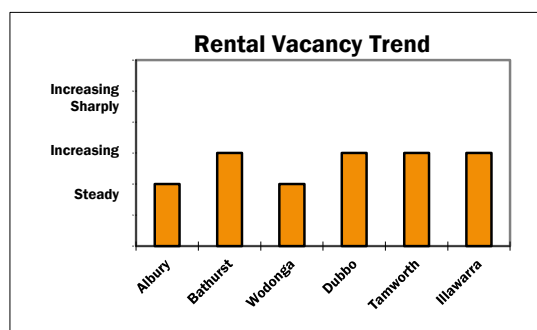


Country New South Wales Property Market Indicators – Houses

Factor	Albury	Bathurst	Wodonga	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Tightening	Steady	Tightening	Steady	Steady	Steady
Demand for New Houses	Very strong	Fair	Very strong	Fair	Fair	Strong
Trend in New House Construction	Declining significantly	Steady	Declining significantly	Steady	Declining	Steady
Volume of House Sales	Increasing strongly	Increasing	Increasing strongly	Increasing	Steady	Increasing
Stage of Property Cycle	Approaching peak of market	Peak of market	Approaching peak of market	Peak of market	Peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Occasionally	Very frequently	Occasionally	Frequently

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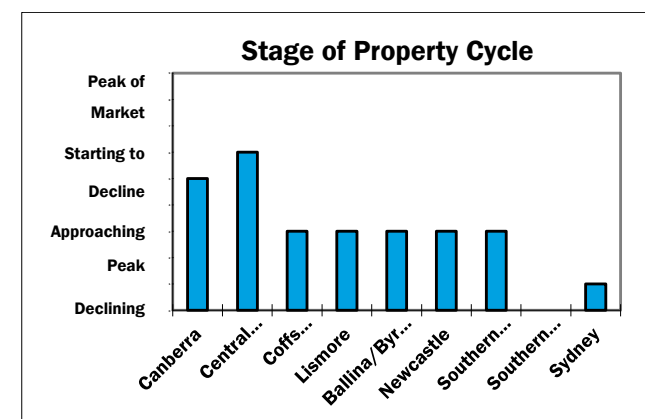
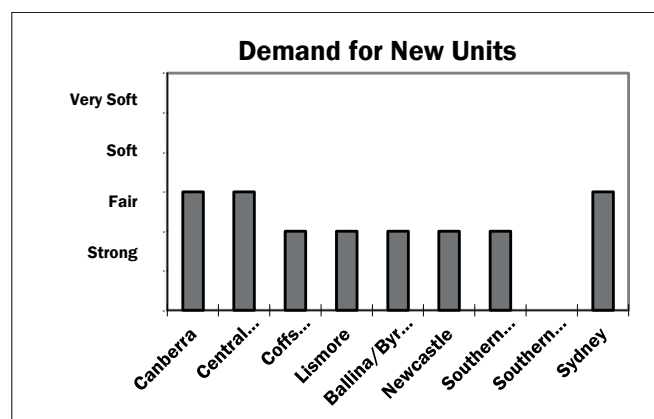
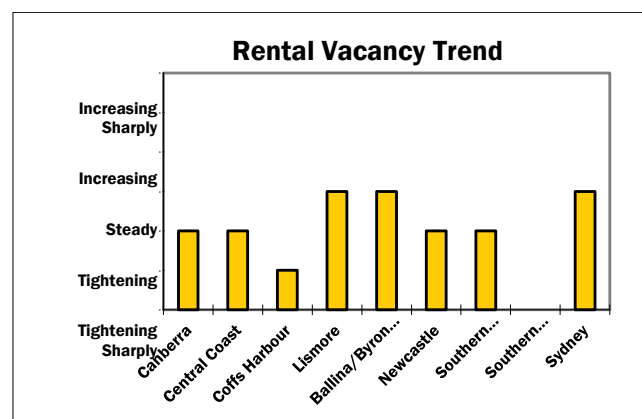


East Coast New South Wales Property Market Indicators - Units

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening sharply	Steady	Steady	Tightening	Tightening	Steady
Demand for New Units	Fair	Strong	Strong	Strong	Very strong	Strong	Strong	Fair
Trend in New Unit Construction	Declining	Declining	Increasing	Declining	Declining significantly	Steady	Declining significantly	Increasing
Volume of Unit Sales	Steady	Increasing	Steady	Increasing	Increasing strongly	Steady	Increasing	Steady
Stage of Property Cycle	Declining market	Approaching peak of market	Rising market	Rising market	Rising market	Rising market	Rising market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Almost never	Almost never	Occasionally	Frequently	Frequently

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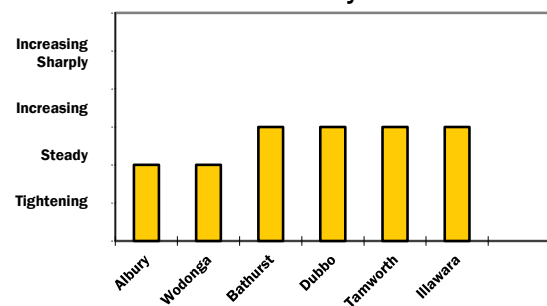
Country New South Wales Property Market Indicators - Units

Factor	Albury	Wodonga	Bathurst	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Tightening	Tightening	Steady	Steady	Steady	Steady
Demand for New Units	Strong	Strong	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Steady	Steady	Declining	Declining	Increasing	Steady
Volume of Unit Sales	Increasing	Increasing strongly	Increasing	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Rising market	Peak of market	Rising market	Peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Frequently

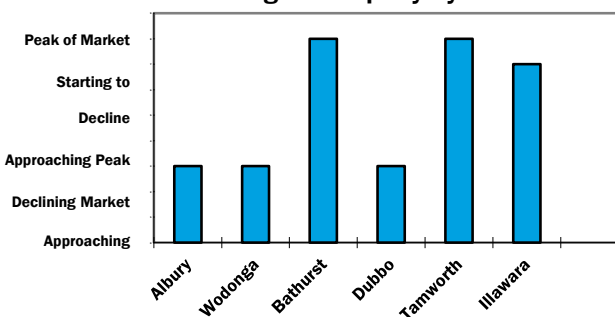
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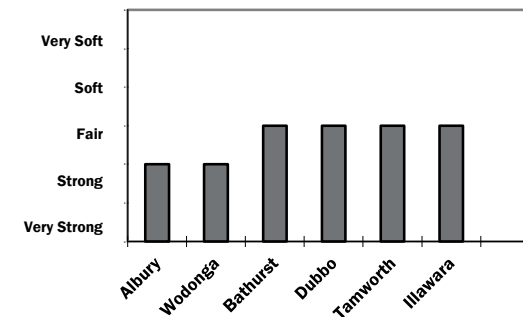
Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units

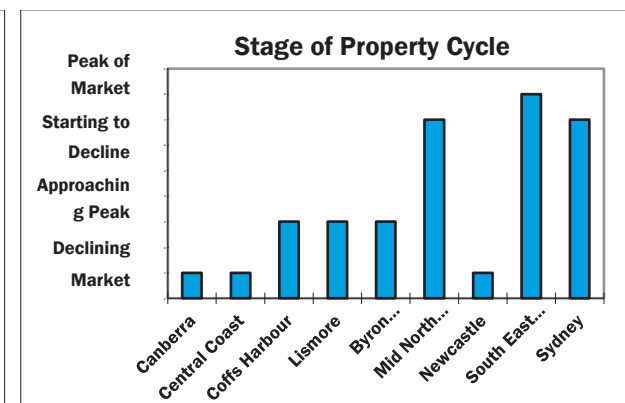
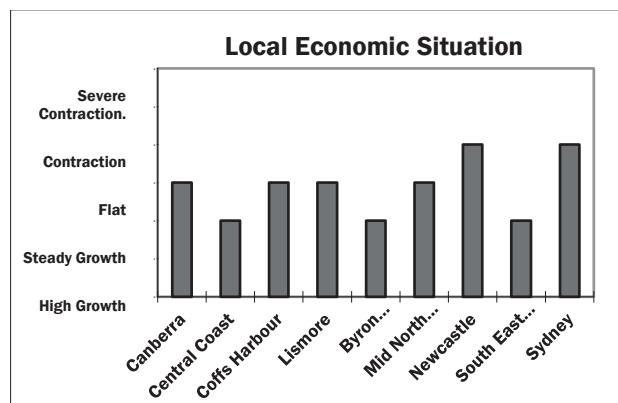
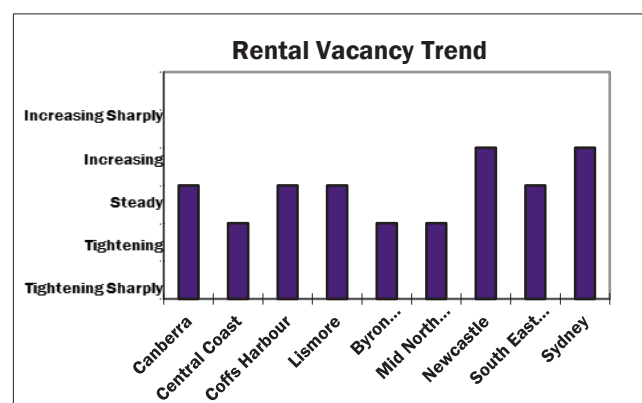


East Coast & Country New South Wales Property Market Indicators – Office

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Ballina/Byron Bay	Mid North Coast	Newcastle	South Est NSW	Sydney
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Tightening	Tightening	Increasing	Steady	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Declining
Volume of Property Sales	Steady	Increasing	Steady	Steady	Increasing	Declining	Declining	Steady	Declining
Stage of Property Cycle	Start of recovery	Start of recovery	Rising market	Rising market	Rising market	Starting to decline	Start of recovery	Peak of market	Starting to decline
Local Economic Situation	Flat	Steady growth	Flat	Flat	Steady growth	Flat	Contraction	Steady growth	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Large	Significant	Significant	Significant	Small	Large	Large	Significant	Significant

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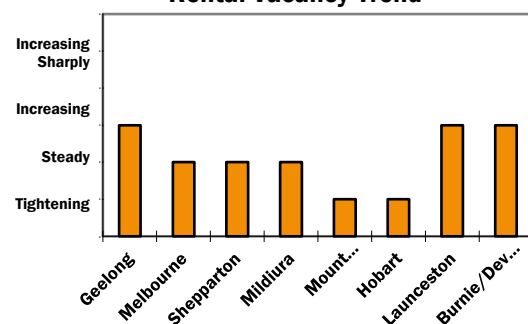
Victorian and Tasmanian Property Market Indicators – Houses

Factor	Geelong	Melbourne	Shepparton	Mildura	Mount Gambier	Hobart	Burnie/ Devenport	Launceston
Rental Vacancy Situation	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Tightening sharply	Tightening	Tightening	Tightening	Tightening sharply	Tightening sharply	Steady	Steady
Demand for New Houses	Very strong	Very strong	Strong	Strong	Very strong	Very strong	Very strong	Very strong
Trend in New House Construction	Declining significantly	Declining significantly	Declining	Declining	Declining	Declining significantly	Declining significantly	Declining significantly
Volume of House Sales	Increasing strongly	Increasing strongly	Increasing	Steady	Increasing	Increasing strongly	Declining	Declining
Stage of Property Cycle	Approaching peak of market	Rising market	Rising market	Approaching peak of market	Rising market	Rising market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Occasionally	Almost never	Almost never	Occasionally	Almost always	Occasionally	Frequently

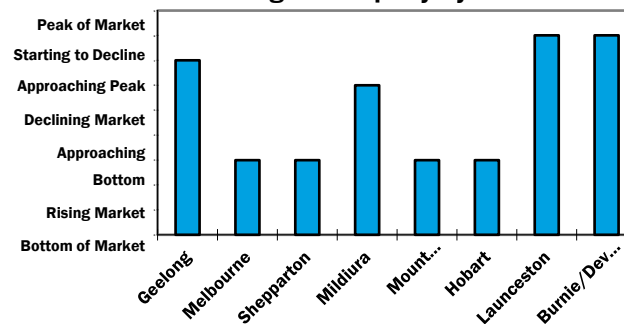
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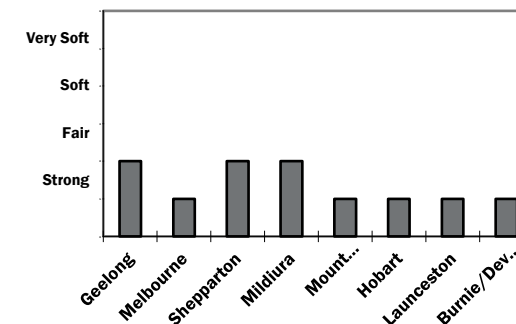
Rental Vacancy Trend



Stage of Property Cycle



Demand for New Houses

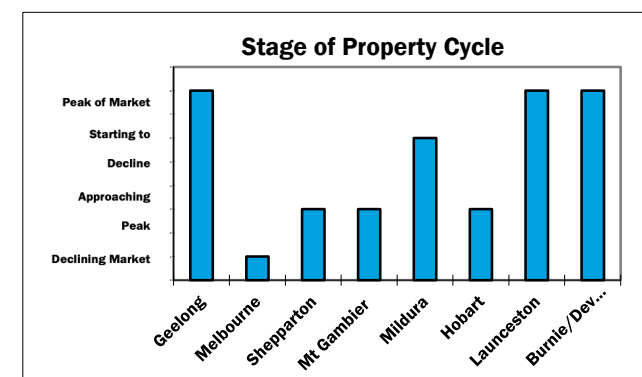
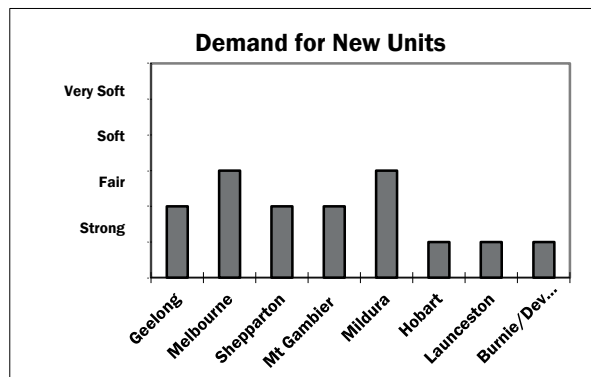
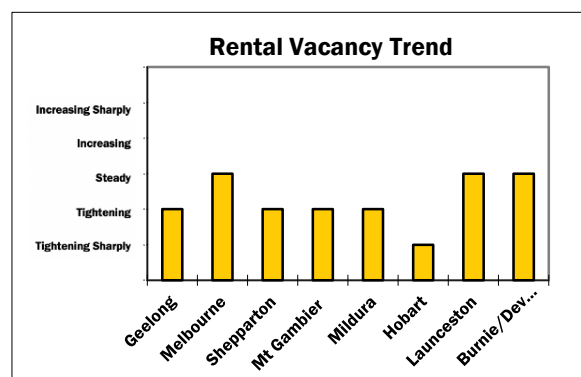


Victorian and Tasmanian Property Market Indicators – Units

Factor	Geelong	Melbourne	Shepparton	Mount Gambier	Mildura	Hobart	Launceston	Burnie/Deveport
Rental Vacancy Situation	Shortage of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Balanced market
Rental Vacancy Trend	Tightening	Steady	Tightening	Tightening	Tightening	Tightening sharply	Steady	Steady
Demand for New Units	Very strong	Fair	Strong	Strong	Fair	Very strong	Very strong	Very strong
Trend in New Unit Construction	Declining significantly	Steady	Steady	Steady	Steady	Declining significantly	Declining significantly	Declining
Volume of Unit Sales	Increasing strongly	Steady	Increasing	Increasing	Steady	Increasing strongly	Declining	Steady
Stage of Property Cycle	Approaching peak of market	Start of recovery	Rising market	Rising market	Approaching peak of market	Rising market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Almost never	Occasionally	Almost never	Almost always	Frequently	Occasionally

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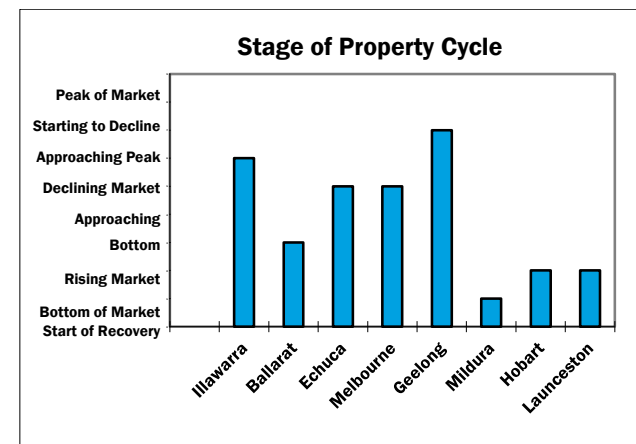
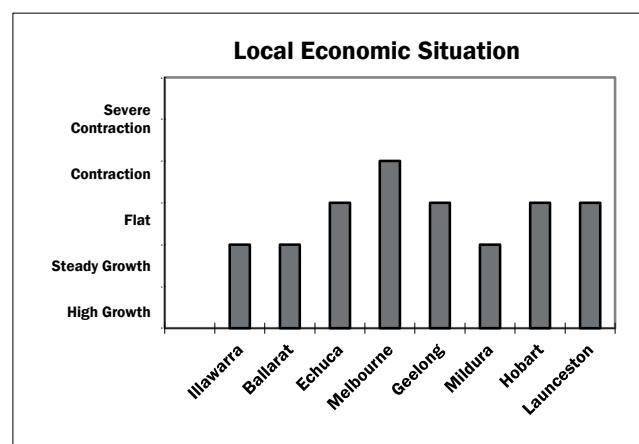
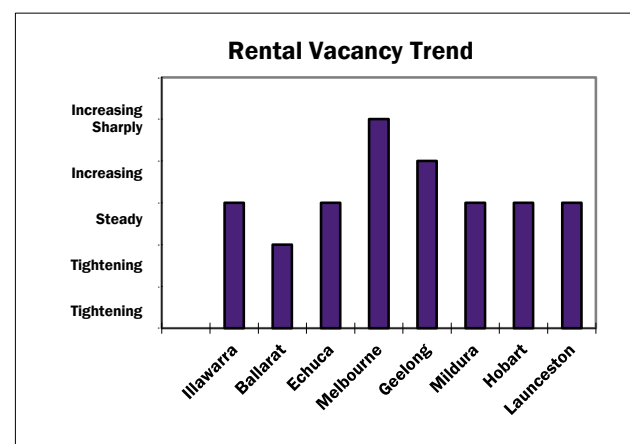


Victorian and Tasmanian Property Market Indicators – Office

Factor	Illawarra	Ballarat	Echuca	Melbourne	Geelong	Mildura	Hobart	Launceston
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Steady	Increasing sharply	Increasing	Steady	Steady	Steady
Rental Rate Trend	Stable	Increasing	Declining	Declining	Declining	Stable	Declining	Declining
Volume of Property Sales	Steady	Increasing	Steady	Declining	Declining	Declining	Steady	Steady
Stage of Property Cycle	Start of recovery	Rising market	Declining market	Declining market	Starting to decline	Start of recovery	Bottom of market	Bottom of market
Local Economic Situation	Steady growth	Steady growth	Flat	Contraction	Contraction	Steady growth	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Large	Small	Small	Significant	Significant	Small	Significant	Significant

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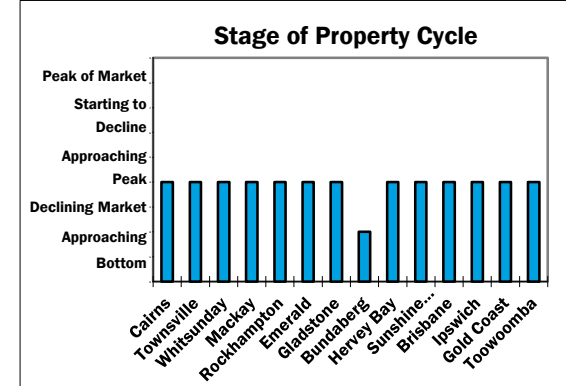
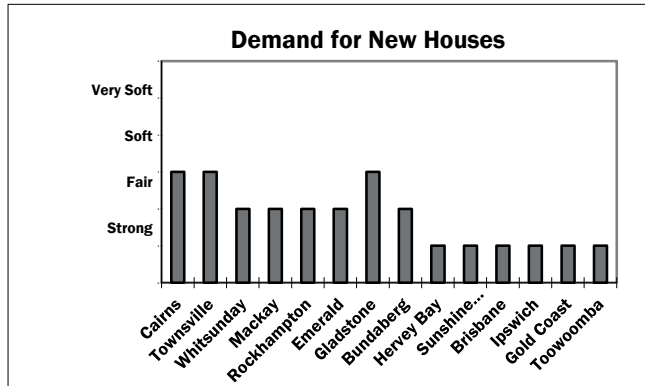
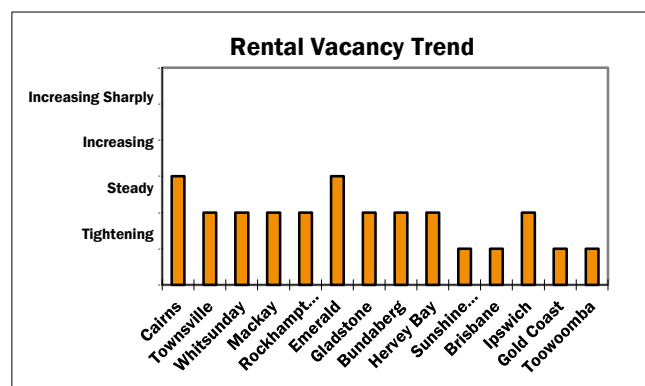


Queensland Property Market Indicators – Houses

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Tightening	Tightening	Tightening	Steady	Tightening	Tightening	Tightening	Tightening sharply	Tightening sharply	Tightening	Tightening sharply	Tightening sharply
Demand for New Houses	Fair	Fair	Strong	Strong	Strong	Strong	Fair	Strong	Very strong	Very strong	Very strong	Very strong	Very strong	Very strong
Trend in New House Construction	Declining	Steady	Declining	Declining	Declining	Declining	Declining	Declining	Declining significantly	Declining significantly	Steady	Steady	Declining	Declining
Volume of House Sales	Increasing	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Increasing strongly	Increasing strongly	Increasing	Increasing strongly	Increasing strongly	Increasing	Increasing strongly
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Start of recovery	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Very frequently

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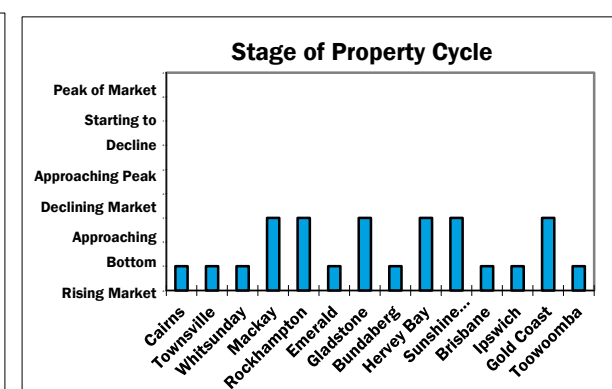
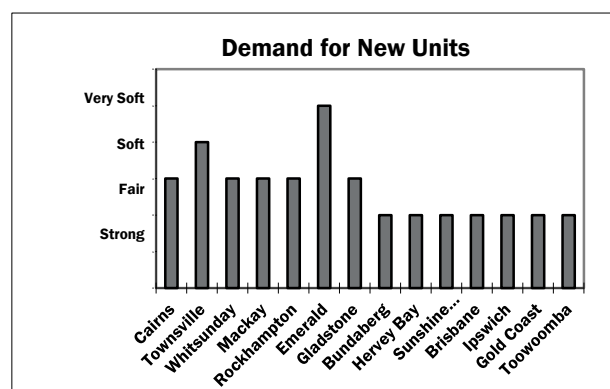
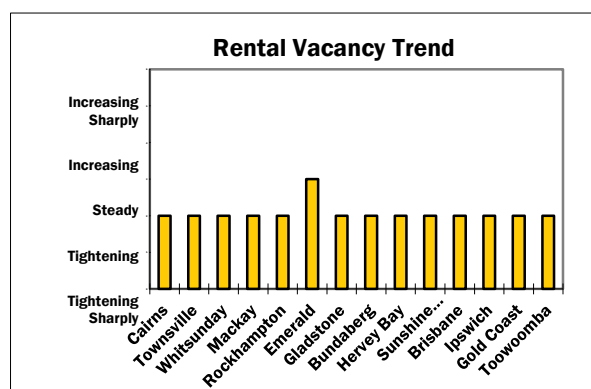


Queensland Property Market Indicators – Units

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening	Tightening	Steady	Tightening	Tightening	Tightening	Tightening	Tightening	Tightening	Tightening	Tightening
Demand for New Units	Fair	Soft	Fair	Fair	Fair	Very soft	Fair	Strong	Strong	Strong	Strong	Strong	Strong	Strong
Trend in New Unit Construction	Steady	Increasing	Increasing strongly	Declining	Steady	Increasing strongly	Steady	Declining	Declining	Declining	Steady	Steady	Declining	Steady
Volume of Unit Sales	Steady	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Increasing strongly	Increasing	Increasing	Increasing	Increasing	Increasing	Increasing
Stage of Property Cycle	Start of recovery	Start of recovery	Start of recovery	Rising market	Rising market	Start of recovery	Rising market	Start of recovery	Rising market	Rising market	Start of recovery	Start of recovery	Rising market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Frequently	Occasionally

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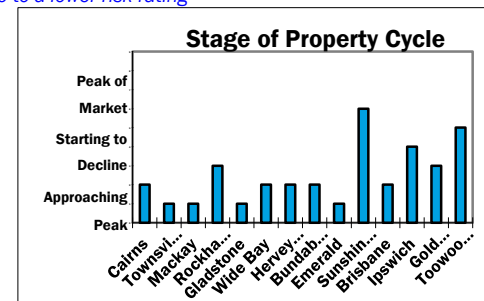
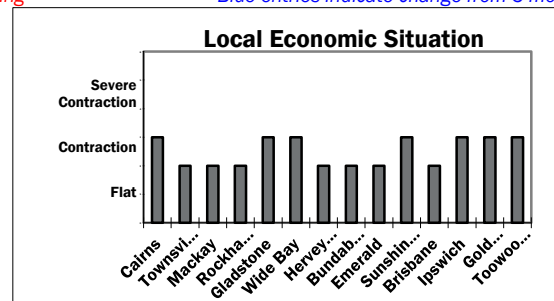
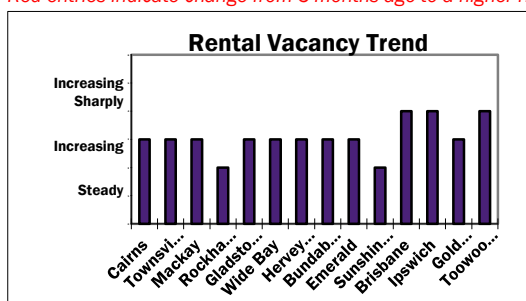


Queensland Property Market Indicators – Office

Factor	Cairns	Townsville	Mackay	Rockhampton	Gladstone	Wide Bay	Hervey Bay	Bundaberg	Emerald	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Tightening	Increasing	Increasing	Steady	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Declining	Increasing	Declining
Volume of Property Sales	Steady	Increasing	Steady	Increasing	Steady	Steady	Declining	Declining	Steady	Steady	Increasing	Steady	Declining	Steady
Stage of Property Cycle	Bottom of market	Start of recovery	Start of recovery	Rising market	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Approaching peak of market	Bottom of market	Approaching bottom of market	Rising market	Declining market
Local Economic Situation	Flat	Steady growth	Steady growth	Steady growth	Flat	Flat	Steady growth	Steady growth	Steady growth	Flat	Steady growth	Flat	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant	Significant	Significant	Significant	Significant	Significant	Small	Small	Large	Large	Significant	Large

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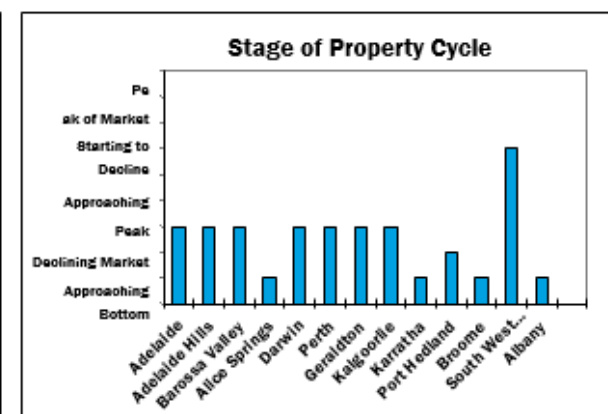
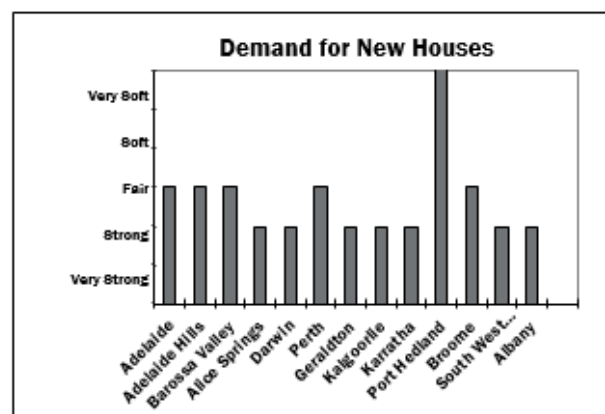


SA, NT and WA Property Market Indicators - Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening	Tightening sharply	Tightening	Tightening	Tightening	Steady	Tightening	Tightening sharply	Tightening sharply	Tightening
Demand for New Houses	Fair	Fair	Fair	Strong	Strong	Fair	Fair	Fair	Strong	Strong	Strong	Strong	Strong
Trend in New House Construction	Steady	Steady	Steady	Declining	Declining significantly	Declining significantly	Declining	Declining	Declining	Declining	Declining	Declining significantly	Declining
Volume of House Sales	Steady	Steady	Steady	Increasing	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Increasing	Declining	Increasing
Stage of Property Cycle	Rising market	Rising market	Rising market	Start of recovery	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Approaching peak of market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Frequently	Frequently	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally

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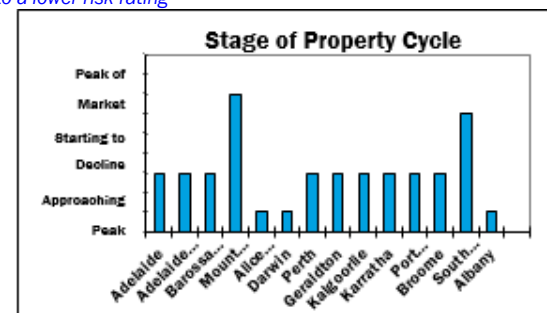
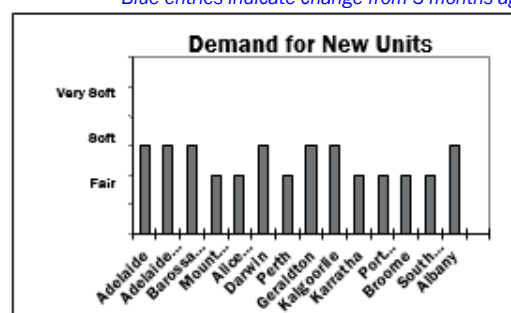
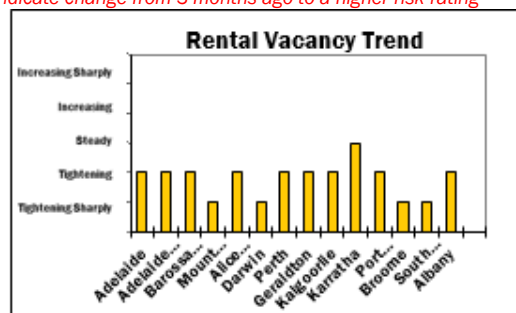


SA, NT and WA Property Market Indicators – Units

Factor	Adelaide	Adelaide Hills	Barossa Valley	Mount Gambier	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening sharply	Tightening	Tightening sharply	Tightening	Tightening	Tightening	Steady	Tightening	Tightening sharply	Tightening sharply	Tightening
Demand for New Units	Fair	Fair	Fair	Strong	Strong	Fair	Strong	Fair	Fair	Strong	Strong	Strong	Strong	Fair
Trend in New Unit Construction	Increasing	Increasing	Increasing	Steady	Steady	Declining	Declining	Steady	Steady	Steady	Steady	Steady	Declining	Steady
Volume of Unit Sales	Steady	Steady	Steady	Increasing	Increasing	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Increasing	Declining	Increasing
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Start of recovery	Start of recovery	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Approaching peak of market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally

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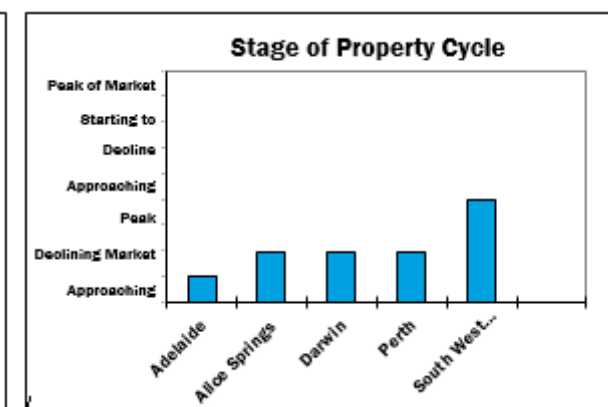
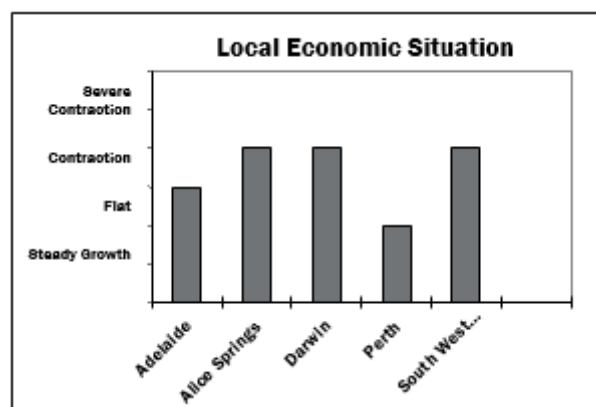
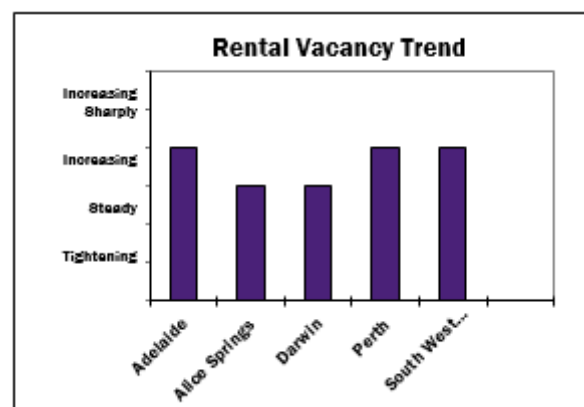


SA, NT and WA Property Market Indicators – Office

Factor	Adelaide	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Steady	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Stable	Declining	Declining
Volume of Property Sales	Steady	Steady	Steady	Declining significantly	Declining
Stage of Property Cycle	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Approaching bottom of market
Local Economic Situation	Flat	Contraction	Contraction	Steady growth	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Large	Large	Small

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