

Home Renovation Cost Indicator



Home Replacement and Depreciation Indicators

May 2016

Building Industry Update

The building industry in Australia continues its long slump in activity particularly in the commercial sector. Builders and subcontractors are continuing to price projects keenly with low margins.

Government instrumentalities are starting to release more projects onto the market, so we could perhaps soon see cost increases in construction prices.

Despite cost increases in materials over the last 12 months, contractors are absorbing whole or part of these with benefits flowing on to the domestic sector where competition between builders and availability of subcontractors and materials remains strong. These benefits have flowed through to all sectors of the building industry including aged care, which itself slowed for some time as operators came to grips with the Government funding changes which were implemented in 2014.

There has been a reasonable increase in activity in the aged care sector and this will probably continue as operators realise the importance regarding upgrading existing facilities.

Anecdotal information from CKA Group's Shanghai office indicates that there is a modest slowdown in domestic construction activity in China, and surprisingly, in government construction. This is partly due to a nationwide investigation into corruption in government building contracts which has "spooked" local and provincial government officials and slowed the issuing of contracts.

This could mean that more Chinese building products will be directed to Australia and other overseas markets causing more competition between product suppliers and unlikely cost increases in imported items such as plumbing, electrical fittings, kitchenware, glazing etc.

In summary, building prices are very attractive at the moment and are likely to remain stable for the next six months.

About this Cost Guide

These Cost Indicators have been prepared from data provided by Caulfield Krivanek Architecture (ckagroup.com.au) in conjunction with Quantity Surveyor Rodney Vapp and Associates Pty Ltd (rodneyvapp.com.au). They are intended as a guide only to assist home owners and prospective home renovators to make financial decisions about the future of their home.

This guide should be read in conjunction with the DIY Home Renovation Guide available as a download on the Caulfield Krivanek Architecture website. www.ckagroup.com.au/resources
More accurate costs can be provided from concept sketches prepared by Caulfield Krivanek Architecture or through an Archicentre renovation report and financial analyses prepared by Rodney Vapp and Associates. Contact Caulfield Krivanek Architecture on **03 8658 4000** to discuss your Renovation Project

1 Home Insurance Replacement Cost Indicator

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

1.1 Home Size

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

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

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

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

Standard Home:

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

Quality home:

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

Luxury Home:

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

1.3 Home Replacement Indicators

a) Calculate the basic house value

	Size (m ²)	Rate (\$/m ²)	Value
Standard home		\$1,890	
Quality home		\$2,400	
Luxury home		\$3,990	

b) Add garages, carports

Single carport (15m ²)	\$6,300
Double carport (35m ²)	\$14,000
Single garage (15m ²)	\$13,200
Double garage (35m ²)	\$29,400

c) Add timber verandas and decks

Approximate area (m²) at \$160 per m² deck only

Approximate area (m²) at \$ 140 per m² veranda roof

2 Home Depreciation Indicator

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

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

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

2.1 Overall Home Value

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

2.2 Structural Value

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

2.3 Finishes Value

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

2.4 Equipment Value

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

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

3 Home Renovation Cost Indicator

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

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

It should be read in conjunction with the DIY Home Renovation Guide prepared by Caulfield Krivanek Architecture available as a download at www.ckagroup.com.au/resources

3.1 Basic Parameters

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

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

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

Standard Home	
Typical brick veneer or timber extension.	
Under 30m ²	\$1,890 - \$2,840
Over 30m ²	\$1,260 - \$1,890
Quality Home	
Timber or brick veneer extension with design feature walls, bay windows.	
Under 30m ²	\$2,520 - \$3,500
Over 30m ²	\$1,680 - \$2,540
Luxury Home	
Timber or brick veneer extension with high ceilings, quality wall and floor finishes.	
Under 30m ²	\$3,800 - \$4,520
Over 30m ²	\$2,730 - \$4,100

3.3 Fitout Costs

Kitchen	
Standard Kitchen	\$10,840 - \$14,910
Quality Kitchen	\$17,120 - \$26,880
Luxury Kitchen	\$24,680 - \$38,430
Bathroom	
Standard Bathroom	\$10,610 - \$17,220
Quality Bathroom	\$15,590 - \$24,260
Luxury Bath	\$24,150 - \$38,010
Ensuite	
Standard Ensuite	\$6,410 - \$9,870
Quality Ensuite	\$11,340 - \$16,070
Luxury Ensuite	\$17,010 - \$25,730
Laundry	
Standard - Luxury	\$4,520 - \$17,120
Powder Room	
Standard - Luxury	\$4,940 - \$16,280

3.4 Existing House Upgrades 150sq.m to 240sq.m existing homes

New Guttering	
\$3,150 - \$4,410	
Rewiring	
\$6,620 - \$9,980	
Re plumbing	
\$8,610 - \$17,120	
Re roofing	
concrete tiles	\$9,960 - \$16,170
terra cotta	\$11,970 - \$17,330
colorbond	\$7,980 - \$12,290
slate	\$19,220 - \$52,500
External re painting	
Poor condition	\$4,095 - \$5,780
Good condition	\$2,940 - \$3,990
Internal re painting – per room	
\$1,000 - \$1,370	
Window replacement (2 sq.m)	
\$650 - \$1,470	
Rising damp repair (seek Homesafe Group advice)	
\$1,580 - \$5,250	
Underpinning cracked brick walls (per m)	
\$900 - \$1,790	

3.5 Construction Add Ons

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

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

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

3.6 GST, Professional Fees

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

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

3.7 Regional Differences

Construction prices vary from city to city and are generally more

expensive in rural areas. Using Sydney construction prices as a base, capital city adjustments are approximately as follows:

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

3.8 Total Cost Structure

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

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

3.9 Owner Builders

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

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

3.10 Home Safety

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