

The Key

BIGGEST ADDRESS IN PROPERTY



As Gough Whitlam moves into care, son Nick prepares to move to his dream home
Keyhole page 98

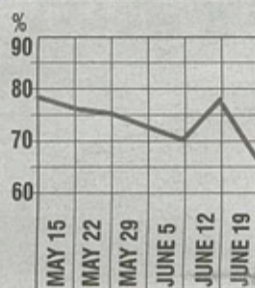
The art of the value-add



KEY FIGURES

Private sales	447
Auctions this week	885
Sold	493
Sold before	98
Sold after	1
Passed in	293
On vendor's bid	193
Auctions last week	323
Auctions last year	520

CLEARANCE RATES	%
Overall yesterday	67
Overall last week	77
Houses yesterday	67
Houses last week	79
Flats/apts yesterday	66
Flats/apts last week	74



TOP VALUE-ADDING TIPS

- Choose a property away from a main road with big living spaces and off-street parking to maximise value growth
- Period homes with original floorplans that need cosmetic work are good targets
- A facelift can often add just as much value as a structural renovation
- The estimated cost of the renovation should be weighed up against expected growth in the area and an evaluation of the existing property
- Two-bedroom apartments are good targets for single or young couple value-adders
- Value-adding has less effect closer to the city where land holds the most value
- For properties in outer suburbs, rebuilding is sometimes a credible option
- Unforeseen costs must be budgeted for
- It is only safe to write a contract with a registered builder or trader
- The contract should include detailed dispute-resolution clauses

It pays for homeowners to learn the rules of successful property renovations

MITCHELL TOY

HERE once was a time when DIY home improvement shows had every Melbourne family craving a rock garden and dressed-up Bunnings water feature just to keep up with the Joneses.

Now the half-varnished deck out the back sits in decay as the family congregates in the kitchen to share their replica of the latest *MasterChef* chicken dish.

Home improvement is considered so 2005 for many Victorians who have forgotten the virtues of the value-added property.

The fetish for home improvement spawned a rash of DIY-style shows and, while the obsession has waned, agents and vendor advocates still preach the merit of reno investment, particularly for those looking to trade up to a bigger and better property.

By spending the right amount on the right things, renovators can make an even better return in the white-hot winter market.

GETTING THE RIGHT PLACE

The first step is choosing the right target for a reno with maximum potential to increase in value.

Catherine Cashmore of JPP Buyer Advocates said getting the right location and property size to begin with made the reno and resell an easier process.

However, there were also a couple of non-negotiable rules to follow.

"It must be away from a main road and it must have off-street parking," Ms Cashmore said.

"There is not a lot of getting around that."

Areas such as Yarraville and Seddon in Melbourne's inner west are good spots for multi-bedroom houses.

On the other hand, suburbs such as Elwood, Prahran and South Yarra offer healthy returns for those single investors looking for apartments.

Period homes are also prime targets for value-adding



because their original fireplaces, wood flooring and ornate flourishes often tug at buyers' sentimental values.

"Going with something like a single-front Victorian home with the original floor plan is a good option," Ms Cashmore said.

WHAT ADDS VALUE

Seasoned investor Raj Singh, who has added value to a number of homes in Melbourne's northern suburbs, said cosmetic changes were often the most worthwhile.

"You want to add wow to a place," he said.

"The first five minutes when potential buyers walk through a house — that is the time they will decide if they are going to buy it or not.

"You don't want to be spending on structural changes that the potential buyer can't see."

Ms Cashmore said cosmetic changes could be made by re-carpeting and painting, adding new blinds and fittings, for as little as \$12,000.

Fletcher's Real Estate director Tim Fletcher said refitting rooms should be considered for awkward floor plans.

"Informal space is valued by current buyers," he said.

"If your place has five bedrooms and only a small living space, you need to

convert some of those bedrooms to living spaces."

HOW MUCH SHOULD YOU SPEND?

Often the greatest challenge in value-adding is judging how much bang to expect for the renovation buck.

Mr Fletcher advised value-adders to get the property assessed beforehand. Then the cost of proposed changes should be calculated, with provision for unexpected expenses and compared with expected growth in the area.

“There are many extensions I see that look good, but don't add value”

TIM FLETCHER

"The figures have to stack up," Mr Fletcher said.

"It is also important to remember that the closer you are to the city, the bulk of the value is in the land.

"The structure might not add as much value, so consider that when renovating."

Inner-city areas with older structures are prime targets for developers looking to knock down the dwelling, regardless of the revamp.

"There are many extensions I see that look good, but don't add value," Mr Fletcher said.

For places farther from the city, buyers willing to spend

more should know when to get rid of an entire structure and start afresh.

"Sometimes people are hell bent on dealing with the existing structure. Often they are far better to push it over and start again."

Depending on individual circumstances, worthwhile renos can range from \$50,000 for a quality refitting to \$200,000-plus for serious changes.

Inevitably, the return will generally increase the greater the time between the initial purchase and the resale.

AVOIDING TRAPS

The renovation process is fraught with potholes and traps to catch unsuspecting first-timers.

Archicentre general manager David Hallett said budgeting for unknown costs was the first critical step.

"Often you can start building, then encounter things like unexpected ground conditions and see an inflation of the cost," he said.

"You can also start to demolish parts of a structure and discover things like substandard plumbing that can add more than \$10,000 or \$20,000 to the overall project."

Choosing a reputable and

registered builder or trader to do the job is the most important thing. Builders should show evidence of registration, proper insurance and examples of previous work.

"A contract should also include dispute resolution processes and is a major step in limiting the legal disputes that can arise if there is not accurate paperwork," Mr Hallett said.

Improper or negligent management of a renovation can put the project in reverse and leave the property grossly devalued.

MARKET REPORT

RECORD BUYERS, SELLERS HAPPY

AUCTIONS went into turbo mode yesterday.

More than 1000 auctions were held — the biggest number for a June weekend — with the clearance rate dipping 10 per cent to 67 per cent.

Demand generally held up, with many homes sold in negotiations after being passed in.

Jeremy Desmier, of Fletcher's Real Estate, said the unusually large amount of stock brought mixed results.

"It seems a lot of property is taking longer to sell under negotiation this weekend, but it's still selling," he said.

Tony Gerace, of Burnham Real Estate, reported a reduction in crowd sizes, but an increase in genuine bidders, creating tough competition.

"Our numbers in terms of crowds were down as much as 50 per cent, but there were very strong results and interested parties turned out," he said.

Hocking Stuart CEP Nigel O'Neil said the market was still robust.

"There are only a few buyers going into hibernation for winter," he said.

The REIV's Robert Larocca said about 900 auctions were expected next weekend, which would have broken the winter record if it were not for the past week's explosion.

"There are a couple more strong weeks of auctions to go, so it will shape up as a very good month for buyers," he said.

"But vendors are still getting very good results."

The last record auctions listing was in June 2003 with 690.