

## housing market on the comeback



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Managing Director

After some time languishing at low levels, the Australian housing construction market is lifting its nose and is on the increase. The Australian Bureau of Statistics shows that housing starts, commencement of construction, have risen by a healthy 10.6 percent in the March quarter to 39,219 units from a downwardly revised 35,451 units in the December quarter.

Commonwealth Bank chief economist Michael Blythe said, "It's not to say there is another housing boom under way, but the housing side of things will not be a huge drag on the economy in the next year."

### Looking into a crystal ball for property

A BIS Shrapnel survey into the affordability of Australian property revealed that housing affordability is at its

lowest level since the property boom of the 80s.

The survey further concluded that housing affordability would remain a major constraint on residential property markets over the next two years.

While first home buyer activity, low interest rates, low unemployment and wages growth are positive influences on prices growth, a net slowing of prices growth is predicted by some industry observers for the next three years.

Long range predictions of median house prices up to 2009 see the median NSW house price fall by three per cent, Victoria's rise by eight per cent and Queensland flying high with a forecast growth of 12 per cent over the period.

BIS Shrapnel foresees inflation growth over the next three years, but projects that expected wages growth will be sturdy enough to offset any increase in interest rates.



Australians are building again.



## membership earned by reputation

Only 32 Melbourne real estate agents are members of the Property Profile Group, PPG, and for good reason.

When an agent applies to become a PPG agent the association conducts an assessment of the business and its people. This assessment looks into the integrity, success and history of the operation while judging whether the style and approach of the business aligns with the philosophies of the PPG.

The goal of the group is for each member to represent successfully the best interests of their clients, and membership is retained or lost on this principal tenure.

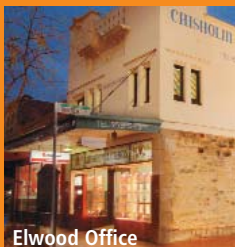


Our staff are highly qualified and receive regular training.

Each staff member of a PPG agent has access to extensive training in sales, marketing, customer service, property law and numerous other aspects of the business.

The group produces a weekly property magazine called 'Profile' which showcases client property and member agents.

If your agent is a member of the PPG, you should be certain in the knowledge that your property transaction is in good hands.



Elwood Office

### Chisholm & Gamon Property Pty Ltd

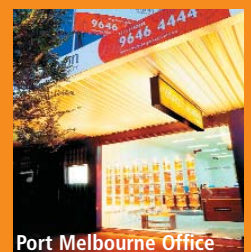
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## 70% of homeowners underinsured & unaware of hefty consequences

Every 75 seconds an Australian home is broken into and each year, thousands of homes are damaged by fire, flood, tree damage and a host of other causes. While most Australians have a good understanding of car insurance, housing insurance unfortunately is not so well understood.

A recent survey by insurer GIO revealed some pretty scary findings - seventy percent of Australian home owners were underinsured by an average of twenty percent. This equates to being underinsured by \$80,000 for a home valued at \$400,000.

If the scenario above was played out for real with a claim for a total loss, say against a house fire, the payout figure to the owner would be drastically reduced.

### Dollars and cents reality of being underinsured?

If the home owner has an insurance policy for \$320,000 (home and contents) and the real value is deemed to be

\$400,000 older type insurance policies deem the home and contents to be only eighty percent insured. This situation of being underinsured allows the insurance company to reduce the payout to eighty percent of the original insured amount. This amounts to a payout of around \$256,000... that's a whopping \$144,000 shortfall! While this type of policy is phasing out, you need to ensure you are covered fully. Many current policies do not discount the payout if the household is underinsured. Even still, the above scenario would leave the policy holder \$80,000 short.

### Being fully covered

Most insurance companies have calculators on their websites which allow you to more accurately calculate the replacement value of your home and contents. You may be surprised how little the extra premium is required to cover an extra \$50,000 in value... better to be overinsured than under.



*Ensure your policy is up to date before renewal.*

### Listed or special items

A good idea to account for all your contents is to take a digital photo of each room and each large or specific item in it. For items such as paintings, jewellery or items which have a high value, these should be listed on the policy.

It is very important that you know the maximum cost of each item allowable contained in the policy. You may have a television worth \$5,000 but the policy has an item cover limit of \$2,500. This can be easily fixed by listing all items over the limit.

## getting a handle on renovation costs

The most expensive form of building is extending or renovating an existing home while, surprisingly, building a new one from scratch can be less expensive per square metre of floor space.

While every single job has its own inherent hurdles and possibilities, there is a rule of thumb for estimating costs that can apply to extending or renovating an existing home.

The old method of assigning a price to a job by the imperial square (10 foot by 10 foot = 100ft) has largely been replaced by cost per square metre.

When estimating a ball park figure for your project you should firstly consider how much extra floor area you are adding. Multiply this figure by \$1,500 per square metre and you will have a good base to work from. This figure includes all carpentry, plumbing, electrical, tiling, painting and super-vision. This price per square metre allows for one mid-priced kitchen and one mid-priced bathroom, a single floor extension/renovation, mid-priced kitchen appliances, 12 volt downlights, fittings and fixtures, carpet, bench tops, tiles, single glazed windows and 10 foot ceilings.



*Do not proceed to building before all the costs are known.*

Items that will increase this estimation include, demolition, rubbish removal, architecture or drafting costs, planning and council fees, building surveyor fees, air conditioning or heating, taller ceilings, second storey, frameless shower screens, dual basins, expensive light fittings, French doors or large and elaborate windows, timber floors, difficult access to site, problems with site including drainage, fall etc.

A good idea would be to employ a quantity surveyor to give an indication

of the potential costs and allow you to refine certain aspects of the project.

While the building industry cries "how long is a piece of string" these figures can guide you to a rough price estimation.

Applying this costing to a home addition of 150 square metres (two bedrooms, new kitchen, bathroom and family room) you would be looking at around \$225,000 - \$250,000 depending on the difficulties encountered with the location, design and level of fixtures and fittings applied.

Nothing beats an actual quote but going through this process can help ease the shock of a real live quote.

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for a free  
market  
appraisal**

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