Housing Market a Winner for Smart Investors

â€¦ but the advantage can soon be lost with a â€˜lemon purchaseâ€™

The current housing market, with a lack of competitive bidding at auctions, low sales rates and many vendors facing mortgage pressure, is a buyers market but it is not without traps, Archicentre, the building advisory service of the Australian Institute of Architects said today.

Archicentre State Manager ACT & NSW, Ian Agnew said, people buying to renovate should not forget the basics of carefully assessing a property, as a renovators dream could soon turn into a money pit instead of a profit making investment.

Whilst it might look easy on TV renovation programs, which have created a boost in people interested in renovation and improving their homes, the reality is that purchasing a home for a successful renovation requires planning and a thorough property assessment.

Choosing the right property in the beginning is the key to success.

Mr Agnew said that it is critical to inspect and assess the fundamentals of the property such as the footings, stumps, wiring, roofing and plumbing, which can be expensive if they need replacing or major repair.

The floor plan of the home is also a major deal maker or deal breaker. If it supports the type of renovation you want to carry out, it will save a great deal of money. If it doesnt it could mean you could be over-capitalising on the renovation and leave no profit or worse lose money.

One of the key issues to thoroughly check before purchasing a property for renovation is the local councils planning or development controls to ensure your renovation will be approved as it could be subject to heritage overlays, tree removal restrictions, height restrictions and restrictions on the size of the building footprint.

Mr Agnew said it is always good to find a home with a north facing back yard, which provides the opportunity to situate the bedrooms towards the front of the home whilst opening up the back of the building as an open plan living area that captures natural light and warmth from the winter sun.

A flat allotment is also easier and cheaper to work with as sloping lots can require expensive excavation and add to building costs through the need to use scaffolding.

Mr Agnew said in purchasing a home for renovation one should start with an independent thorough inspection of the property to ensure there will not be unbudgeted costs such as termites or major structural faults hidden in the property.

Following the inspection it is also appropriate to develop an initial design concept to ensure that the property will meet all renovation requirements - including compliance with all building and planning regulations - before signing the contract.

A design concept also allows for costing the project to ensure the renovation is sound financially.

This approach limits the investors risk considerably by removing the following issues:

- Purchasing a property that has major faults
- Trying to undertake a renovation which is not supported by the existing floorplan
- Facing expensive planning and legal costs and delays with council with a non-conforming design.
- Facing expensive build costs as the design generates extensive structural work.

Mr Agnew said the current housing market provides opportunities for the smart investors who do their home work but also many traps for those who do not.

Archicentre has a free cost guide on its website at www.archicentre.com.au which can assist investors estimate the cost of their renovation proposals.

Contacts

Ron Smith
0417 329 201
mailto: ronsmith@medialaunch.com.au