

The PROPERTY REPORT

Renovate or Trade Up?

Many home owners who extend or renovate their homes make money when they sell, while others wonder why they have trouble getting their money back. What are the main things to consider before embarking on a renovation or extension?

Firstly, ask yourself whether improvements will make your house significantly better than the others in your street. The best-house-in-the-street phenomenon is often an unhappy one as the values of the other houses in the street affect the upgraded one. Those who renovate above and beyond the level of surrounding homes are less likely to get good capital appreciation when they sell.

Furthermore, do the changes you are making really improve the home? Many home owners simply increase the cost of their home without necessarily adding to its value, because some alterations don't improve the standard of the property enough to compensate for their cost. Others leave a mishmash of disparate styles, or serve only to emphasise the datedness of the original house and so end up worth less than they cost.

It is not even uncommon for home owners to sacrifice one feature to gain another, thereby adding cost but not value. Frequently reported examples of this sort of expenditure include turning a bedroom into a dining room or a garage into a rumpus room.

Ideally, extensions should be seamlessly integrated with the original home. Many three-bedroom homes don't "work" once a fourth bedroom and family room are added - the original rooms may be too small to balance the extensions. Furthermore, bad design resulting in poor natural light or an inconvenient floor plan will be reflected in the sale price of the property.

Sometimes renovators over-capitalise by deviating from their budget during the course of their renovations. Many homes and locations don't justify the top-of-the-range appliances and fittings some renovators choose. And if renovators run out of money before completing the work or have to skimp on the finishing touches, the overall effect can be disappointing and limit the selling price.

Home owners concerned about investment potential should also think twice before making changes for their own unique needs. Above all, major

work should not be carried out if homeowners plan to sell in the near future. Sometimes a homeowner will ask a question such as: "I am planning to sell in a year but the house could do with a new bathroom. Should I undertake the work?" It could be argued that the home owner will get the benefit of using the new bathroom for the year until the property is sold, but unless they are in a location or marketplace or price range where the cost of the bathroom will be easily absorbed in the overall capital increase during the next year, it would be pointless to renovate the bathroom only to sell it. Prospective buyers may want an entirely different bathroom, or a bathroom that is very new might make the kitchen or other areas of the house look as if they need work.

The state of the market can also be an important factor in the overall cost-effectiveness of renovating a property. In a sellers' market, such as we are currently experiencing, a purchaser may well pay as much for your home in its present condition as they would if you were to spend several thousand dollars on it. The way you present your home (without spending a lot of money) can give you a better return than if you renovate. Trading up into a home which has had all the hard work and money spent on it most often works out cheaper overall and you don't have to live through a renovation project.

At the same time, quality of life is also important and the good news is that if people stay in a property long term the cost of idiosyncratic changes will usually be absorbed in most locations experiencing growth. The question of whether they would have made more money by making different choices often simply doesn't come up.

Homeowners wanting to maximise the investment potential of their homes should consider consulting an estate agent, in many instances, agents aren't called until the work is nearly completed and it's too late to choose a different path. An experienced, well-referenced agent can tell you whether the value justifies the expenditure.

John Ross
Professionals, Hutt City Limited



Hutt Valley Rental Statistics

Rental Returns for July 2009

	BEDROOMS	MEDIAN RENT	RENT RANGE LOWEST - HIGHEST	% CHANGE FROM JULY 08	NO. LET
Northern Lower Hutt	1	\$170	\$142 - \$222	21%	13
	2	\$265	\$250 - \$288	-5%	31
	3	\$330	\$307 - \$350	8%	28
	4	\$400	\$377 - \$450	n/a	9
Southern Lower Hutt	1	\$200	\$180 - \$250	10%	20
	2	\$282	\$255 - \$320	-1%	30
	3	\$380	\$331 - \$420	0%	37
	4	\$450	\$370 - \$562	-10%	9
Wainuiomata	1	n/a	n/a	n/a	0
	2	\$230	\$213 - \$250	-4%	7
	3	\$290	\$270 - \$300	-2%	19
	4	n/a	n/a	n/a	0
Upper Hutt	1	\$165	\$130 - \$195	22%	10
	2	\$220	\$200 - \$240	0%	30
	3	\$330	\$300 - \$355	0%	40
	4	\$410	\$360 - \$477	11%	12

Median - the middle value when all of the data is placed in order of value.

Source - Sales Statistics: REINZ website and Professionals Hutt City Ltd MREINZ records. These statistics are for residential dwellings and do not include sections.

Source - Rental Statistics: Tenancy Services Bond Centre. These statistics are derived from information gathered from bonds lodged at the Department of Building and Housing.

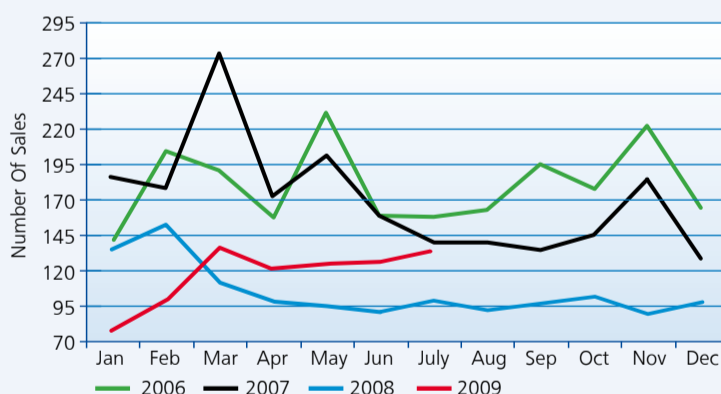
Lower Hutt Sales Statistics

May 2009 - July 2009

SUBURBS	MEDIAN SALE PRICE	NUMBER OF SALES	VS LAST YEAR	MEDIAN DAYS TO SELL	VS LAST YEAR	MEDIAN SALE % CHANGE 1 YEAR	3 YEARS
Alicetown*	-	-	-	-	-	-	-
Avalon	\$342,000	19	↑	13	↓	24%	4%
Belmont	\$550,000	8	↓	14	↓	16%	38%
Boulcott*	-	-	-	-	-	-	-
Central Hutt	\$392,500	11	↓	9	↓	-21%	-12%
Eastbourne & Bays	\$532,500	26	↑	37	↓	-21%	-4%
Fairfield	\$386,000	12	↑	19	↓	*	16%
Harbourview*	-	-	-	-	-	-	-
Kelson	\$366,750	10	↓	18	↓	6%	24%
Korokoro*	-	-	-	-	-	-	-
Manor Park*	-	-	-	-	-	-	-
Maungaraki	\$386,000	18	↓	13	↓	2%	8%
Moera*	-	-	-	-	-	-	-
Naenae	\$253,000	27	↓	16	↓	3%	10%
Normandale	\$403,000	5	↑	65	↓	8%	8%
Park Ave	\$277,900	8	↓	24	↓	-18%	-11%
Petone	\$400,000	32	↓	28	↓	-6%	3%
Stokes Valley	\$280,000	50	↑	23	↓	-2%	15%
Taita	\$226,500	16	↑	15	↓	13%	3%
Tirohanga	\$445,000	7	↑	55	↑	*	*
Wainuiomata	\$230,500	62	↓	13	↓	5%	6%
Waiwhetu	\$368,000	21	↑	32	↓	12%	36%
Waterloo	\$347,660	13	↑	29	↓	-11%	-3%
Woburn	\$748,000	22	→	15	↓	29%	14%

*For accuracy purposes, suburbs with less than 5 sales in the period have been excluded from this analysis.

Lower Hutt Residential Property Sales



Regional Round Up

May 2009 - July 2009

OUR REGION	MEDIAN SALE PRICE	NUMBER OF SALES	VS LAST YEAR	MEDIAN DAYS TO SELL	VS LAST YEAR	MEDIAN SALE % CHANGE 1 YEAR	3 YEARS
Lower Hutt	\$332,500	384	↑	23	↓	-1%	13%
Upper Hutt	\$315,000	131	↓	38	↓	-2%	11%
Porirua	\$370,000	171	↑	58	↓	4%	19%
Wellington	\$470,000	801	↑	30	↓	6%	15%
MAIN CITIES							
Auckland	\$485,000	2,043	↑	30	↓	3%	12%
Hamilton	\$330,000	711	↑	35	↓	0%	9%
Christchurch	\$310,000	1,814	↑	31	↓	-2%	7%
Dunedin	\$229,500	536	↑	36	↓	-8%	-4%

