

Press release

For immediate release

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Borrowers dodge refinancing mortgage to renovate homes

- Value of home loans financed for alterations and additions almost halved since 2003
- 3 in 4 homeowners find it difficult to refinance home to renovate: finder.com.au/home-loans study
- Different costs for renovation jobs revealed as well as tips on refinancing to renovate

February 2, 2015, Sydney, Australia – Australian homeowners are dodging renovations funded by the equity in their mortgage because it's too difficult, according to a new study by one of Australia's biggest comparison websites finder.com.au¹.

The survey of more than 1,000 homeowners commissioned by finder.com.au² found that the vast majority (90 percent) have never refinanced their home to renovate. Out of those who haven't refinanced to renovate their home, just 17 percent would consider it.

Almost three in four (73 percent) homeowners think it would be difficult to refinance their mortgage to renovate their home. In fact, 14 percent find the idea overwhelming, with women slightly more overwhelmed than men.

Michelle Hutchison, Money Expert at finder.com.au, said she is not surprised by the findings, given the decline in borrowers financing home loans for alterations and additions.

"Many borrowers are dodging the idea of refinancing their home to renovate because they just don't know where to start.

¹ Experian Hitwise 2013, 2014

² Survey was conducted by global research provider pureprofile



"We found that the value of home loans being financed for alterations and additions averaged \$352 million per month for the past five years (since January 2010). It has almost halved compared to over a decade ago, hitting a peak of almost \$640 million in one month in 2003³.

"It's not surprising when our survey found that most people are in the dark with the costs and value a reno will add."

The finder.com.au survey found that more than one in three homeowners who haven't refinanced to renovate are unsure how much it would cost, if they can afford to, how much value it would add or where to start.

Out of those who have refinanced to renovate, the vast majority (93 percent) had concerns whether they could afford to, what their mortgage repayments would be and their biggest concern was how much value it would add.

Over two in five homeowners (42 percent) are worried about rising interest rates, as unlocking equity to renovate means borrowers will have a bigger mortgage with higher repayments.

"The problem with refinancing to renovate is that every household is different. Everyone has different financial situations, mortgage sizes, equity and work needing or wanting to be completed. The amount of money people want to spend can also vary significantly.

"It doesn't need to be overwhelming if you want to unlock equity to renovate your home. In fact, there are a few simple rules and guides to follow to ensure you will have the best outcome," said Mrs Hutchison.

finder.com.au tips on refinancing to renovate:

- Work out how much equity you have: get a valuation and find out the maximum Loan-to-Value (LVR) needed for your home loan to determine how much money you have available to draw on
- Set a benchmark for value: find out what the median house/unit price is in your area and look at similar properties recently sold in your area
- Rule of thumb: don't spend more than 10% of the median property value. However, this can vary depending on the condition of the property
- Work out how much you can afford to borrow: use this calculator to work out [how much you can afford to borrow](https://www.finder.com.au/borrowing-power) (www.finder.com.au/borrowing-power)
- And this calculator can help you work out the [cost of mortgage repayments](https://www.finder.com.au/home-loan-repayment-calculator) (www.finder.com.au/home-loan-repayment-calculator)
- Further tips on refinancing to renovate: www.finder.com.au/refinancing-to-renovate

³ Australian Bureau of Statistics Housing Finance data analysed by finder.com.au

National average costs for different renovation jobs at different levels of work:

Renovation	Basic cost	Standard cost	High cost	
Bathroom	\$2,0962	\$38,696	\$54,804	
Bedroom	\$8,948	\$13,786	\$18,612	
Kitchen	\$23,264	\$42,017	\$69,738	
Room renovation	\$10,514	\$16,586	\$22,648	
Garage (extension)	\$15,131	\$28,076	\$39,987	
Interior Plastering	\$25,220	\$28,897	\$32,536	
Laundry	\$9,172	\$15,466	\$21,752	
Ensuite	\$16,618	\$25,544	\$31,692	
Attic conversion	\$52,464	\$66,073	\$91,597	
Floorboard restoration	\$10,856	\$27,689	\$44,518	
Roofing (tiled)	\$18,860	\$23,690	\$28,492	
Room extension (ground level)	\$38,475	\$62,767	\$83,865	

Source: finder.com.au, Australian Institute of Architects

Note: Costs vary between low, standard and high renovation jobs due to materials used and more labour with more detail and work. Basic cost would use the cheapest materials and simplest designs, standard is middle range and high cost is the dearest materials and labour needed. This is a guide only and can vary across states of Australia and the size and condition of property.

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