

# MAVERICK

## Construction Costs Per Square Metre

### Construction Type

### Level of Finish

	Low	Medium	High
<b>Residential</b>			
3br brick veneer project home, level block, shelf design	\$ 550.00	\$ 750.00	\$ 875.00
Architecturally designed executive residence	\$ 1670.00	\$ 2,100.00	\$ 2,455.00
3br, 2 level brick veneer townhouse, including allowance for common property	\$ 825.00	\$ 945.00	\$ 1,145.00
3 level walk-up unit complex, concrete structure ground floor parking	\$ 950.00	\$ 1,075.00	\$ 1,250.00
Multi level apartment building, including lift and basement car parking	\$ 1,050.00	\$ 1,325.00	\$ 1,525.00
<b>Commercial</b>			
1-2 level open plan offices, including A/C, excluding fitout	\$ 650.00	\$ 865.00	\$ 1,100.00
1-4 level open plan offices, including A/C & lifts, excluding fitout	\$ 950.00	\$ 1,045.00	\$ 1,345.00
4-8 level open plan offices, including A/C & lifts, excluding fitout	\$ 1,050.00	\$ 1,280.00	\$ 1,450.00
8 levels and over, including A/C & lifts, excluding fitout	\$ 1,550.00	\$ 1,875.00	\$ 2,265.00
<b>Industrial</b>			
High Bay Warehouse, standard config, concrete floor, metal clad (size to 3500m <sup>2</sup> )	\$ 400.00	\$ 450.00	\$ 515.00
High Bay Warehouse, standard config, concrete floor, metal clad (size > 3500m <sup>2</sup> )	\$ 385.00	\$ 430.00	\$ 495.00
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad (size to 3500m <sup>2</sup> )	\$ 440.00	\$ 480.00	\$ 550.00
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad (size > 3500m <sup>2</sup> )	\$ 420.00	\$ 460.00	\$ 520.00
<b>Retail</b>			
Suburban shopping mall area including A/C	\$ 1,000.00	\$ 1,225.00	\$ 1,325.00
Supermarket, including A/C, excluding fitout	\$ 865.00	\$ 950.00	\$ 1,100.00
Speciality Shops, including A/C, excluding fitout	\$ 585.00	\$ 650.00	\$ 715.00
<b>Hotels/Motels</b>			
Single level boutique motel, including A/C quest facilities	\$ 1,425.00	\$ 1,585.00	\$ 1,745.00
Single level tavern/hotel, including A/C, excluding loose item fitout	\$ 1,245.00	\$ 1,565.00	\$ 1,710.00
Licensed Club, including A/C, bar, lounge, rec facilities	\$ 1,220.00	\$ 1,535.00	\$ 1,650.00
Multi level, 3 star hotel including A/C, restaurant, bar, common facilities	\$ 1,845.00	\$ 1,980.00	\$ 2,065.00

Note: These rates are based on BMT & ASSOC professional opinion and are indicative of typical costs for similar developments. The rates stated do not include land, demolition, sloping sites, unforeseen ground conditions, non-standard design, high wall to floor ratios, external works and services, professional fees and authority fees.

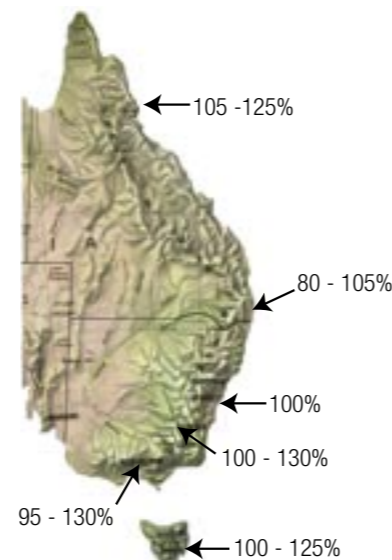
## Regional Variations - Capital Cities

It must be stressed that the information on this newsletter represents a guide to a range of indicative construction costs for gross building areas based within one of Australia's capital cities.



### Disclaimer

*This newsletter is issued as a helpful guide and is not intended to, and does not cover all aspects of the topics discussed. Professional advice should be sought before any action upon these topics is undertaken.*



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## Inside this issue...

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*Winery No 1 Broke Road, Pokolbin - one of our latest projects*

## Unit Depreciation Comparison Table

Development	Suburb	No of Units in Development	Year 1 Depreciation	Year 1-5 Depreciation	TOTAL Depreciation
Clarendon Towers	Southbank, VIC	254	\$13,681	\$59,467	\$231,534
The Philadelphia	Melbourne, VIC	112	\$12,646	\$57,420	\$240,000
Sydney Mansions	Surry Hills, NSW	115	\$13,641	\$60,042	\$303,037
Sydney Park Village	Alexandria, NSW	780	\$14,303	\$54,966	\$218,330
Balmain Shores	Rozelle, NSW	534	\$9,868	\$45,700	\$234,343
Paramount	Melbourne, VIC	229	\$11,510	\$51,100	\$152,205
Presidio	Newtown, NSW	79	\$8,308	\$37,016	\$156,391
Harbour Garden Towers	Sydney, NSW	238	\$14,214	\$62,327	\$249,457
The Hudson	Alexandria, NSW	272	\$11,764	\$53,675	\$269,087

The above table illustrates the approximate property tax depreciation deductions obtainable from several developments where BMT & ASSOC Pty Ltd has prepared Tax Depreciation Schedules.

A scenario was taken based on a typical 2-bedroom unit in each development with purchase prices ranging from \$375,000 to \$425,000.

The table clearly demonstrates that different developments have significantly varied depreciation benefits.

The depreciation obtained differs in each of the developments due to several reasons including:

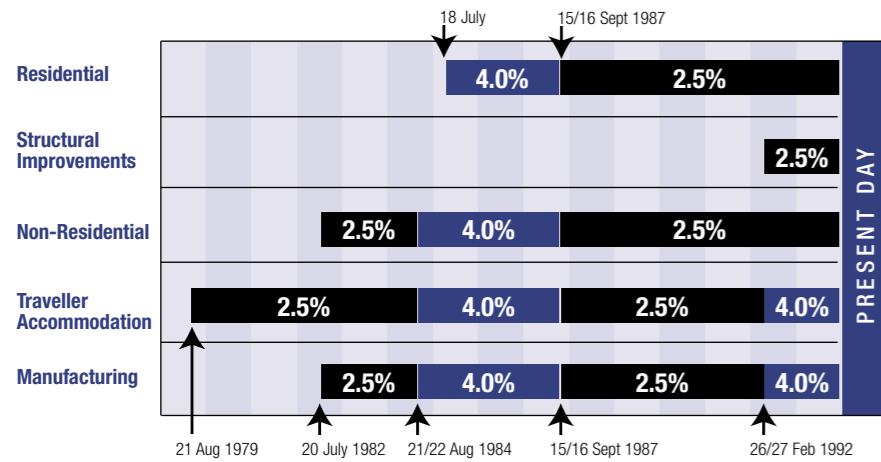
1. The amount of common property elements, that impact upon the depreciation that can be claimed by each unit holder. For example the number of lifts, the amount of underground car parking, the existence of swimming pools or gym equipment;
2. The quality and quantity of finishes within each of the developments; and
3. The actual construction cost of each development.

In summary the table illustrates that there are excellent depreciation deductions obtainable from property, improving the after tax cost of investment property ownership.

Also it is very important to review in detail the depreciation estimate reports on projects that are being sold off the plan. The depreciation estimate reports illustrate the anticipated deductions that an investor will have access to on completion. Finally, consideration should be given to assessing the authenticity of the depreciation estimate report, ensuring that a specialist tax depreciation firm such as BMT & ASSOC has prepared the document maximising the claim for the investor.

For more information on maximising depreciation benefits on residential investment properties please contact BMT & ASSOC on 1300 728 726.

## Division 43 - Building Write Off Allowances Table



### An explanation...

Division 43 or Capital Allowance Deductions are based on the historical cost of the building excluding the cost of all 'plant' and non-eligible items.

The Division 43 write off allowance available on a property is triggered by the date of commencement of the capital improvement works and the use of the building.

All income producing buildings, refurbishments, extensions and fit-outs which have commenced construction within the correct dates, as outlined in the table adjacent, will qualify for this Division 43 write off allowance.

## Construction Project Financing - A Developer's Directory

Developers wishing to source construction finance, will find evaluating who can provide the best deal one of the most important decisions in the development cycle. Experienced developers will most likely have a relationship with one or two providers of construction finance that will satisfy their ongoing needs or have the scope to adjust for a more diverse range of projects. However for the new entrant there is an often-confusing array of providers and alternative debt structures they can provide. This article attempts to provide a brief overview of the main providers. Following is a list of the four major groups of providers of construction finance;

### Banks

AMP Property Finance (Formerly GIO)  
 Arab Bank Australia  
 Bankwest  
 Bendigo Bank  
 Commonwealth Bank of Australia  
 Investec  
 Macquarie Bank  
 National Australia Bank  
 Suncorp Metway  
 St George Bank  
 Westpac Banking Corporation

### Non Bank

Colonial First State Investments  
 GE Capital  
 Solicitor Provided Funds  
 Sydney Pacific  
 Provident Capital

### Mezzanine Debt Providers

Investment Management Australia  
 Byron Capital  
 Balmoral Corporation  
 Banksia Financial Group  
 Lend Lease  
 ING Capital Real Estate

### Commercial Mortgage Originators

Ashe Morgan Winthrop  
 Balmain NB  
 Platinum Property Finance

## GST Changes Affecting Property Developers

There have been three recent GST changes affecting property developers. The first change is a proposed law removing the GST liability from in-kind developer contributions.

**Example One:** For the right to develop certain land, Townhouse Pty Ltd agrees to construct a children's playground and transfer title in it to the Council. Neither Townhouse nor the Council will have a GST liability or input tax credit (ITC) entitlement in relation to either the playground development right or the supply of the playground.

The second change is a ruling by the ATO in respect of display homes. The ATO has decided that the lease of a display home by a property owner to a developer is not a taxable supply.

**Example Two:** Freestand Pty Ltd sells a new house to Mary Holden, a GST registered property investor. Mary agrees to lease the house back to Freestand for its use as a display home. Mary is not required to charge GST on the lease but also is not entitled to claim ITCs for GST charged to her on the property purchase from Freestand.

The final change is an ATO clarification meaning that GST will not usually apply where a residential property is sold to a developer who intends to demolish the building on it rather than use it for residential accommodation.

**Example Three:** Suburban Pty Ltd, who is GST registered, sells a rental house with vacant possession to Flats Pty Ltd, which intends to demolish the house immediately to construct apartments. The ATO accepts that the sale may not be taxable even though Flats will not use the house for accommodation. The developer's purchase cost may be reduced and it may still be able to use the margin scheme when it sells the apartments constructed on site.

GST might apply in the above example if the house was 'new residential premises' and had not previously been sold. The ATO has still not confirmed its interim view that the mere subdivision or strata titling of residential property can create new residential premises.

This article was prepared by Stephen Baxter, Associate Director, Indirect Tax Consulting Group. It does not attempt to exhaustively cover all the GST issues relating to property industry supplies. Stephen can be contacted on (02) 9221 2888 if you wish to discuss the impact of GST on particular property related transactions which you are undertaking.



High Tech Industrial, Kingsgrove  
 - one of our latest projects

### How does the developer differentiate?

Like most other decisions made in the development process the developer has a significant interest in obtaining as much value from the funding arrangement as possible to maximise overall profit from a development. Major differences between funding sources will include Lending Value Ratios, Security, Equity, Specific Conditions, Profit Margin, (even) Profit Share, pre-sales, level of authority approval and time taken to approve funding.

The developer's financial position, underlying project feasibility and the participating individuals experience, will make a significant difference in the level of risk attached to each deal. This consideration will be 'priced' differently by each funding source via the cost of finance or additional approval conditions. Hence this is where a developer can differentiate and make a decision that is in the best interest of providing flexibility and maximising overall profit.



Townhouses, Alexandria - one of our latest projects

The Domaine Apartments, Marrickville  
 - one of our latest projects

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