

Refer to our website for our Corporate Profile  
www.bmtassoc.com.au

# MAVERICK™

Prepared by **BMT & ASSOC**  
QUANTITY SURVEYORS

## Construction Costs Per Square Metre

### Sydney

#### Construction Type

#### Level of Finish

#### Regional Variations

##### Residential

	Low	Medium	High
3br brick veneer project home, level block, shelf design	\$750.00	\$900.00	\$1,250.00
Architecturally designed executive residence	\$1,820.00	\$2,800.00	\$4,300.00
3br, 2 level brick veneer townhouse, including allowance for common property	\$950.00	\$1,100.00	\$1,550.00
3 level walk-up unit complex, concrete structure ground floor parking	\$1,020.00	\$1,250.00	\$1,650.00
Multi-level apartment building, including lift and basement car parking	\$1,200.00	\$1,500.00	\$2,150.00

##### Commercial

	Low	Medium	High
1-2 level open plan offices, including A/C, excluding fitout	\$920.00	\$1,080.00	\$1,350.00
1-4 level open plan offices, including A/C & lifts, excluding fitout	\$1,025.00	\$1,130.00	\$1,600.00
4-8 level open plan offices, including A/C & lifts, excluding fitout	\$1,295.00	\$1,600.00	\$1,890.00
8 levels and over, including A/C & lifts, excluding fitout	\$1,675.00	\$2,025.00	\$2,445.00

##### Industrial

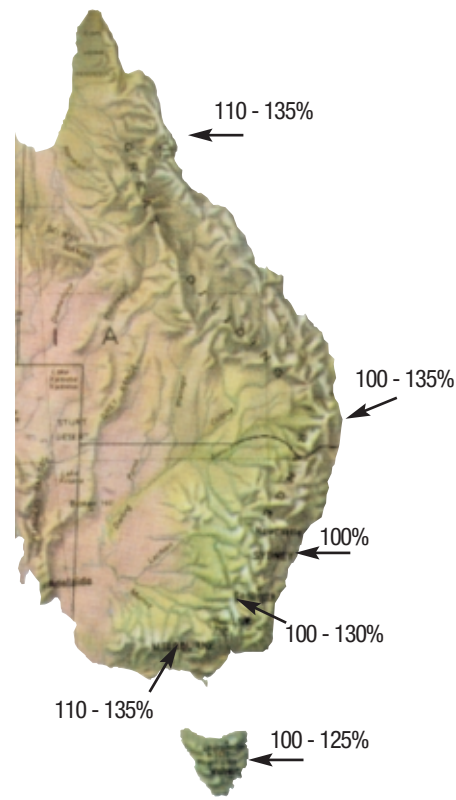
	Low	Medium	High
High Bay Warehouse, standard config, concrete floor, metal clad (size to 3500sqm)	\$520.00	\$575.00	\$750.00
High Bay Warehouse, standard config, concrete floor, metal clad (size > 3500sqm)	\$460.00	\$540.00	\$715.00
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad (size to 3500sqm)	\$575.00	\$665.00	\$920.00
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad (size > 3500sqm)	\$560.00	\$630.00	\$860.00

##### Retail

	Low	Medium	High
Suburban shopping mall area including A/C	\$1,080.00	\$1,325.00	\$1,430.00
Supermarket, including A/C, excluding fitout	\$935.00	\$1,025.00	\$1,190.00
Specialty shops, including A/C, excluding fitout	\$650.00	\$760.00	\$865.00

##### Hotels/Motels

	Low	Medium	High
Single level boutique motel, including A/C guest facilities	\$1,495.00	\$1,665.00	\$1,830.00
Single level tavern/hotel, including A/C, excluding loose item fitout	\$1,310.00	\$1,645.00	\$1,795.00
Licensed club, including A/C, bar, lounge, rec facilities	\$1,280.00	\$1,610.00	\$1,730.00
Multi-level, 3 star hotel including A/C, restaurant, bar, common facilities	\$1,940.00	\$2,080.00	\$2,170.00



#### Disclaimer

The Construction Costs herein are published on and should be read subject to the following conditions:

- Construction costs are published as a matter of interest only and are not intended to be relied upon by readers. In any situations which may be similar to matters herein readers should exercise and rely upon their own judgement.
- Neither BMT & ASSOC nor any of its officers or employees bear any responsibility for any error in the material published in this publication or in any previous publication, or for any damage or loss resulting from any reliance on any material published in this publication or in any previous publication.
- Construction costs are not intended for tendering or pricing variations. They are average prices in the Metropolitan Area and should be adjusted with reference to specific conditions. The rates include the cost of labour and material, waste, hoisting, fixing in position and for profit. The profit allowance is based on the prevailing market conditions in each capital city.
- These Construction Costs were produced prior to publication and due allowance should be made in this regard to the rates shown.
- The rates exclude any allowance for Goods and Services Tax including compliance cost.

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.

**BMT & ASSOC**  
QUANTITY SURVEYORS



#### Sydney:

Level 9, 8 Spring St, Sydney NSW 2000  
PO Box N314 Grosvenor Place 1220  
PH: 02 9241 6477 Fax: 02 9241 6499

#### Brisbane:

Level 24, 10 Eagle Street  
GPO Box 3229 Brisbane QLD 4001  
Ph: 07 3221 9922 Fax: 07 3221 9933

#### Adelaide:

Level 10, 60 Waymouth Street  
GPO Box 1588 Adelaide SA 5001  
Ph: 08 8231 1133 Fax: 08 8231 6600

Email: [info@bmtassoc.com.au](mailto:info@bmtassoc.com.au)  
Local call: 1300 728 726

#### Melbourne:

Level 50, 120 Collins Street  
GPO Box 4260 Melbourne VIC 3001  
PH: 03 9654 2233 Fax: 03 9654 2244

#### Newcastle:

Level 2, 49 Hunter Street  
PO Box 340, Newcastle NSW 2300  
Ph: 02 4927 8195 Fax: 02 4927 8196

#### Canberra:

Level 6, 39 London Circuit  
GPO Box 2526 Canberra ACT 2601  
Ph: 02 6257 4800 Fax: 02 6257 4811

Website: [www.bmtassoc.com.au](http://www.bmtassoc.com.au)  
Local Fax: 1300 728 721

## What is a Phase A Tax Depreciation Estimate?

Phase A Tax Depreciation Estimate reports are a document that outlines the potential tax depreciation benefits available from a given residential, commercial, retail or industrial property.

This document when prepared by BMT & ASSOC assists the marketing agent or developer to sell the property. The document illustrates the range of property tax depreciation benefits obtainable from the property, and usually forms part of the marketing documentation. It is usually prepared prior to construction commencing.

The Phase A depreciation estimate report is used by the marketing agent to assist in the sales process of the property; especially to astute property investors. Astute property investors often demand this document's information from marketing agents so that they can ascertain the property's feasibility. The report helps the investor calculate the actual after tax outlay of the property.

The Phase A document is a relatively quickly produced document and is based on BMT & ASSOC experience of similar project scenarios and relevant project information. The Phase A document illustrates the range of depreciation obtainable from a property. As BMT & ASSOC have extensive experience in depreciation calculations, this report can be produced in a cost effective manner and at no charge in certain circumstances.

The Phase A depreciation estimate is an estimate of potential depreciation benefits available from the property and is not suitable for use in the investor's tax return preparation. As this document is prepared prior to the sale of the property, accurate figures for depreciation cannot be calculated as construction costs, sale price, settlement date, and purchaser details have not been finalised. Once purchased, BMT & ASSOC can produce a Phase B Australian Tax Office accepted depreciation schedule for the purchaser / owner. This document considers the construction cost, sale price, settlement date and is personalised to the owner, and can be used by the investor in their tax return.

- Phase A - Tax depreciation estimates for marketing purposes, show a maximum and minimum range of depreciation available to potential investor purchasers.
- Phase B - Complete (ATO accepted) depreciation reports ensuring maximum current and future tax deductions are obtained from the property.



Issue 15 • Autumn 2004

### Inside this issue

- What is a Phase A Tax Depreciation Estimate?
- Construction Costs on the up and up
- Latest changes in construction activity
- Woodward v's Commissioner of Taxation - a review of the result
- Changes for Property Investors-ATO addendum to TR 2000/18
- Construction Costs Per Square Metre

*"Depreciation on investment properties is becoming more widely recognised as a lucrative means to decrease the after tax cost of owning an investment property. This means that the astute investor will often request depreciation figures before a property is purchased."*

Bradley Beer  
Director

Property Depreciation and Construction Cost Consultants

**BMT & ASSOC**  
QUANTITY SURVEYORS

# A u s t r a l i a W i d e S e r v i c e

## Construction Costs on the up and up

We are consistently being asked by many of our clients when construction costs are going to stop rising, and what BMT & ASSOC see as the major factors influencing this trend.

The problem currently seems to be experienced Australia wide, where labour and material costs seem to have been consistently rising over the last 5 years.

Construction costs are made up of two components being labour and materials. The effect of either one of these components increasing in cost results in construction costs increasing.

Demand and supply of labour and materials is the most influential factor effecting construction costs. With the demand for labour and materials increasing faster than the supply over the last 5 years, cost increases have been the result.

The increased demand for labour and materials has been the result of several contributing factors, being:

- Firstly, established developers have moved into top gear, taking on more developments due to purchaser demand, primarily by investors;
- Secondly, property development has come into flavour, where every second builder and solicitor has turned to dabbling in property development in search of potential good returns;
- The third major factor fuelling demand is the renovation boom, primarily of residential property by mum and dad investors, in search of equity growth with the aim of purchasing that next property; and
- The fourth major factor is the rapidly rising property market. With valuation increases of between 20 to 50% per annum, many property owners have either renovated, developed their existing land or purchased new stock.

These above mentioned contributing factors have resulted in increased demand, with supply obviously struggling to keep up. Thus tradesmen and labourers have felt an increased demand for their labour and accordingly increased their labour rates. Following this demand trend, materials costs have kept steadily increasing due to the demand. Materials suppliers have taken advantage commanding higher prices for their materials.

Looking forward, most expect some aligning in the demand and supply of the two major construction variables being labour and materials. As a result construction cost increases should abate.

## Latest changes in construction activity

*Since our last edition of Maverick BMT & ASSOC have seen a significant increase in the following types of construction in the Brisbane, Sydney and Melbourne markets:*

- residential construction activity in the 10 -25 unit, 'boutique' market sector;
- industrial multi-tenant and tenant specific projects, incorporating office accommodation;
- construction and refurbishment of low and high care nursing homes; and
- refurbishment activity across the residential market has been strong and continues to be so.

## Woodward V's Commissioner Of Taxation A review of the result

This article provides a brief history of the Woodward case and a review of the determination that has become important in determining which items within a residential property are classified as plant. This decision is still contentious and is a point of dispute among a significant number of accountants and quantity surveyors.

On 3 February 1999 the ATO requested the Taxpayer to complete a Rental Property Questionnaire for Plant Depreciation.

The Taxpayer supplied the Questionnaire on 18 February 1999 and included a Depreciation Schedule completed by a quantity surveyor (not prepared by BMT & ASSOC) dated August 1996.

On 3 October 2000 the ATO provided their review:

The Plant Depreciation claimed by the Taxpayer of \$7,516.00 was decreased because the following items were determined to be not plant or article and therefore not depreciable:

- Electrical Distribution Gear;
- Furniture, Counter Fittings, Shelving;
- Gas Installation;
- Security Systems;
- Telephone Installation; and
- Vehicle Control Equipment or Bollards.

The Courts have applied several tests defining whether or not an item meets the definition of plant:

- what is the function of the item in relation to the income earning activities;
- what is the setting or circumstances of the income earning activities and does the item form an integral part or a part of the fabric of the setting (Wangaratta Woollen Mills Ltd V Federal Commissioner of Taxation (1969) 119 CLR 1); and
- is the purpose of the item to make the building or the structure complete (Imperial Chemical Industries of Australia and New Zealand v FCT (1970) 120 CLR 396)

In summary, the Tribunal concluded that the disputed items listed above (i-vi) do not come within the meaning of plant under section 42-18 of the Act. This decision has further reduced what is termed plant under the Act, making the in-depth knowledge of the quantity surveyor in tax law imperative in maximising deductions under the continuously changing interpretations of the Act.

BMT & ASSOC acknowledges that parts of this article are derived from the published decision of the administrative appeals tribunal sittings as the small taxation claims tribunal no QS2001/23.

## Changes for Property Investors ATO addendum to TR 2000/18

*As part of the ongoing review being undertaken by the ATO regarding the effective life of plant assets, a number of plant assets had their effective lives changed as at 1 July 2003.*

*The major effect of this latest addendum to property is the depreciation of Air Conditioning systems. Air Conditioning systems can no longer be depreciated simply as one asset. Basically the individual components of an Air Conditioning system now need to be split up and depreciated as separate components.*

*The changes include:*

- ductwork, pipes and vents are not depreciable as Plant & Equipment items;
- where air conditioning systems once were depreciated as one asset, they now need to be split into such categories as; air handling units, cooling towers, condenser sets, chillers, damper motors, fan coil units, humidifiers, pumps etc;
- typical split system air conditioners (commonly found in units or houses) now have an effective life of 10 years, giving the investor a slightly better deduction each year; and
- package type air conditioners (typically small commercial units) have had their effective life increased to 15 years, meaning a slightly lesser deduction for investors each year.



**BMT & ASSOC**  
QUANTITY SURVEYORS

Property Depreciation and Construction Cost Consultants

A Perspective on the Past, A Solution for the Present, A Vision for the Future

**Sydney:**  
Level 9, 8 Spring St, Sydney NSW 2000  
PO Box N314 Grosvenor Place 1220  
02 9241 6477

**Melbourne:**  
Level 50, 120 Collins Street  
GPO Box 4260 Melbourne VIC 3001  
03 9654 2233

**Brisbane:**  
Level 24, 10 Eagle Street  
GPO Box 3229 Brisbane QLD 4001  
07 3221 9922

**Newcastle:**  
Level 2, 49 Hunter Street  
PO Box 340, Newcastle NSW 2300  
02 4927 8195

**Adelaide:**  
Level 10, 60 Waymouth Street  
GPO Box 1588, Adelaide SA 5001  
08 8231 1133

**Canberra:**  
Level 6, 39 London Circuit  
GPO Box 2526, Canberra ACT 2601  
02 6257 4800

Website: [www.bmtassoc.com.au](http://www.bmtassoc.com.au)  
Email: [info@bmtassoc.com.au](mailto:info@bmtassoc.com.au)