

## Construction Costs Per Square Metre - Sydney

### Construction Type

Construction Type	Level of Finish		
	Low	Medium	High
<b>Residential</b>			
3br brick veneer project home, level block, shelf design .....	\$865	\$1,070	\$1,340
Architecturally designed executive residence .....	\$1,820	\$2,800	\$4,350
3br, 2 level brick veneer townhouse, including allowance for common property .....	\$1,050	\$1,220	\$1,750
3 level walk-up unit complex, concrete structure ground floor parking .....	\$1,185	\$1,425	\$1,850
Multi-level apartment building, including lift and basement car parking .....	\$1,350	\$1,700	\$2,550
<b>Commercial</b>			
1-2 level open plan offices, including A/C, excluding fitout .....	\$966	\$1,245	\$1,865
1-4 level open plan offices, including A/C & lifts, excluding fitout .....	\$1,076	\$1,265	\$1,920
4-8 level open plan offices, including A/C & lifts, excluding fitout .....	\$1,360	\$1,680	\$1,985
8 levels and over, including A/C & lifts, excluding fitout .....	\$1,759	\$2,126	\$2,567
<b>Industrial</b>			
High Bay Warehouse, standard config, concrete floor, metal clad (size to 3500sqm) .....	\$549	\$607	\$792
High Bay Warehouse, standard config, concrete floor, metal clad (size > 3500sqm) .....	\$486	\$570	\$755
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad (size to 3500sqm) .....	\$607	\$702	\$972
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad (size > 3500sqm) .....	\$591	\$665	\$908
<b>Retail</b>			
Suburban shopping mall area including A/C .....	\$1,140	\$1,400	\$1,650
Supermarket, including A/C, excluding fitout .....	\$988	\$1,082	\$1,257
Specialty shops, including A/C, excluding fitout .....	\$686	\$802	\$914
<b>Hotels/Motels</b>			
Single level boutique motel, including A/C guest facilities .....	\$1,579	\$1,980	\$2,587
Single level tavern/hotel, including A/C, excluding loose item fitout .....	\$1,383	\$1,737	\$1,895
Licensed club, including A/C, bar, lounge, rec facilities .....	\$1,325	\$1,700	\$1,827
Multi-level, 3 star hotel including A/C, restaurant, bar, common facilities .....	\$2,049	\$2,196	\$2,292

### The Calculation of Construction Costs

The above costs are calculated based on a Gross Floor Area (GFA) rate. Typically GFA can be defined as the sum of the fully enclosed covered floor area and the unenclosed covered floor area of a building at all floor levels, measured in a square metre rate. GFA consists of two elements:

- Fully Enclosed Covered Area (FECA)
- Unenclosed Covered Area (UCA)

FECA:	UCA:
Includes items such as:	Includes items such as:
■ Basements	■ Roofed balconies
■ Attics	■ Open verandahs
■ Garages	■ Porches and porticos
■ Penthouses	■ Attached covered walkways
■ Lift shafts	■ Usable space under buildings.
■ Staircases	
■ Columns and piers.	

Costs provided are an average price for typical buildings as at the date of publication, allowing for preliminaries, builders profit and overheads. Costs can provide no more than a rough guide to the probable cost of building, as costs can vary significantly based on site conditions, level of fitout and design.

For further construction cost details please refer to our website [www.bmtqs.com.au](http://www.bmtqs.com.au)

#### Disclaimer

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- 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. Costs exclude land, demolition and any work outside the footprint of the building. 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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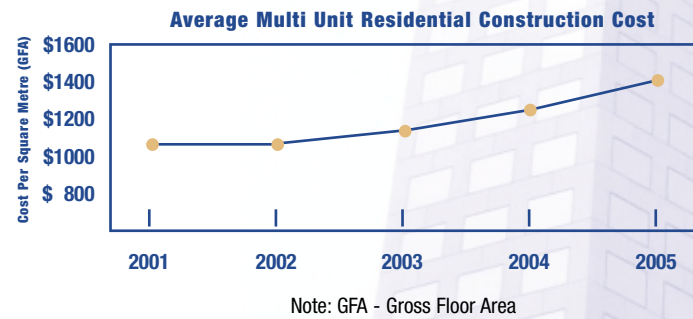
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Prepared by **BMT & ASSOC**  
QUANTITY SURVEYORS

## Cost Increases in Construction The impact of steel and concrete price increases

Significant domestic and international increases in demand for steel and concrete over recent years has lead suppliers to demand greater prices for their product. This has combined with increases in wage costs for both on and off site construction labour.

The cost of constructing a medium quality residential multi unit (low density) project has increased over the past five years as shown in the following graph:



Steel and concrete are primarily used in the superstructure of a building, in areas such as columns, floor slabs and staircases. Industry averages the percentage of the total cost of a medium quality residential multi unit (low density) building as:

- Columns: 10.2%
  - Floor Slabs: 2.3%
  - Staircases: 5.5%
- } 18% of total construction cost

Following is an example that highlights the effect of the recent increases in construction costs, based on the stated variables:

- 30 unit residential construction
- medium quality finish
- 280sq/m (GFA) per unit
- 8400sq/m (GFA) total

	Total Construction Cost	Total Construction Cost Increase	Steel & concrete element (18%)	Steel & concrete element (18%) Increase
2001 (\$1075sq/m)	\$9.03m	-	\$1.63m	-
2005 (\$1400sq/m)	\$11.76m	\$2.73m	\$2.12m	\$.49m

The overall effect of the cost increases has resulted in increased tender prices, with developers incurring almost half a million dollars in additional costs for steel and concrete than five years ago for the same type of development.

Approximately half of the total construction cost for a project comprises of materials, the other fifty percent is labour costs. Applying this percentage, labour costs have increased by \$1.36 million for this example over the last 5 years.

Significant increases over the last five years have occurred for numerous reasons, including:

- Demand outstripping supply.
- Lack of new tradespeople entering the industry, and suitably trained people for jobs.
- Premium for workers compensation insurance increasing significantly.
- Union activity increasing average wage cost.
- Implementation of a 36 hour week in VIC & NSW for new contracted employees.

Cost increases are expected to plateau in the short term, as current conditions are expected to sustain the current cost climate. Economic based variables, such as recession, could drive costs down. However, with wage cost pressures expected to continue, as skilled labour remains in high demand, costs are expected to slowly increase in the long term.

### Inside this issue

- Increases to the cost of building: The impact of steel and concrete price increases.
- Securing your property's future: 3 common strategies after purchase. Discusses tax depreciation, replacement cost estimates and sinking fund forecasts.
- Construction costs per square metre. Provides square metre construction costs for various building types.

# Securing your property's future - 3 common strategies after purchase

## 1. Maximising Depreciation Benefits

### Relevant Document: Tax Depreciation Schedule

Tax Depreciation Schedules are reports outlining the depreciation amount for an investment property, providing the investor with a taxation benefit.

All types of income producing properties have substantial taxation benefits available. Many property investors are missing out on literally thousands of dollars in lost tax depreciation deductions.

Both new and old properties will attract some depreciation benefit that the investor is able to claim as a tax credit. A common myth is that older properties will attract no claim – which is not true. Therefore, it's worth making an enquiry about any property, regardless of age.

When a property investor hasn't been claiming deductions for tax depreciation, previous financial years tax returns can be amended. The Australian Tax Office allows for the previous four year returns to be amended, in some instances the ATO may have to pay you money back.

The maximisation of a depreciation claim on any building requires a combination of construction costing skills and knowledge of Tax Legislation.

Your accountant will recommend a specialist to complete such a report, to maximise the depreciation benefits from your property. Quantity Surveyors are recognised by the Australian Tax Office to be appropriately qualified to estimate building costs for the purpose of depreciation. BMT & ASSOC, specialise in providing ATO accepted reports, ensuring you obtain the maximum taxation benefits available from your investment property.

## 2. Insurance Calculations

### Relevant Document: Replacement Cost Estimate

This is a report that accurately determines the replacement cost for insurance purposes. The report informs the owner of how much to insure the building for.

An issue of interest to many property owners is the issue of the estimated replacement cost for base building insurance calculations.

When insuring a property, many property owners don't get a professional to accurately provide a replacement cost of the facility. Should a disaster occur the owner may find that they are not adequately covered. With increasing insurance premiums and construction costs, it is becoming imperative that the replacement estimate is accurate.

There are three possible outcomes from inaccurately estimated replacement costs:

- Through having undervalued insurance replacement estimates of property, the owner runs the risk of significant losses in the event of a major disaster;
- If the replacement value is over stated, additional premiums will result; and
- If underinsured, in the case of partial loss the insurer may only pay a percentage of the insured value, leaving the building owner to meet the shortfall.

When determining the replacement cost of a building many issues need to be considered, including:

- Demolition and removal of debris and asbestos and the associated consultant fees;
- The cost of constructing the building considering planning constraints and building codes;
- Consultants fees, local government fees and charges, all preliminaries; and

- Cost Escalations for
  - 1) assessment of damage and claim finalisation,
  - 2) lead time of planning,
  - 3) design and documentation,
  - 4) calling of tenders and tender evaluation,
  - 5) construction and fit out period, and
  - 6) time lapse between policy renewal dates.

It's imperative that all buildings are adequately insured should an insurance claim need to be lodged. Specialist cost advice is beneficial due to the potential complexity of the process between total loss and reinstatement of the original building.

BMT & ASSOC possess the expert construction costing skills necessary to provide accurate replacement cost estimates for property owners.

## 3. Your Sinking Fund's Future

### Relevant Document: Sinking Fund Forecast

This forecast outlines to owners/investors in a strata complex the financial amount needed to set aside each year to accommodate future replacement requirements of common property items.

A sinking fund establishes the amount the building owners' corporation will need to set aside each year to accommodate future replacement & maintenance requirements of common property items in strata complexes.

The fund is designed to provide the essential ongoing finances needed to maintain a facility in an "as built" condition over its expected lifetime. The Strata Schemes Act (NSW) 1996 requires an owners' corporation to establish a sinking fund to meet ongoing expenses of a capital nature.

When purchasing a property in a strata complex, the sinking fund should be examined to assess the amount that will need to be contributed, and to ensure that the fund is adequate to keep the property in good condition. As an existing owner of a strata property it's critical to identify if an adequate sinking fund forecast is in place, and also to check the adequacy of the fund.

A sinking fund forecast prepared by a specialist helps to protect your investment by:

- Ensuring an accurate figure for the fund is provided by an independent party.
- Demonstrating to prospective purchasers the amount allowed for future maintenance, especially with regards to large future outgoings for key maintenance issues.
- Allows for constant maintenance to be performed, therefore presenting the property in the best possible way.
- Allocating the financial requirements amongst all owners, not assuming the costs will be a burden for the owners as at the time the repairs fall due.
- Ensures the value of a complex is maintained
- Provides a written reminder for future maintenance and replacement work.

A sinking fund report contains a detailed break-up of the building's common areas into the major elements that will 'wear out' over time. The major components are diverse and can include such items as, roof cladding, guttering, air conditioning, painting, lifts, mechanical ventilation, emergency services, fire services, and building structure.

Specifically the Strata Schemes Act (NSW) states that a sinking fund is provided for the following purpose:

- For painting and/or repainting any part of the common property which is a building or other structure;
- To renew or replace fixtures and fittings that are part of the common property;
- To replace or repair the common property; and
- To meet other expenses of a capital nature.

When a sinking fund is prepared by BMT & ASSOC, it will outline all items requiring regular repairs, their estimated replacement date and associated costs.

Once a property has been purchased, whether it's for ownership or redevelopment, there are ways to maximise the effectiveness of the purchase and secure the property's future value.