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Renovations ramping up but no bubble

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"The language has all become positive and property owners are anticipating this situation to last for a while but they are not pushing their boundaries," says renovation specialist David Edelstein. Louise Kennerley

by Su-Lin Tan & Jared Lynch

David Edelstein doesn't believe there is a property bubble – even though his renovation business is so busy that it is running out of builders to hire.

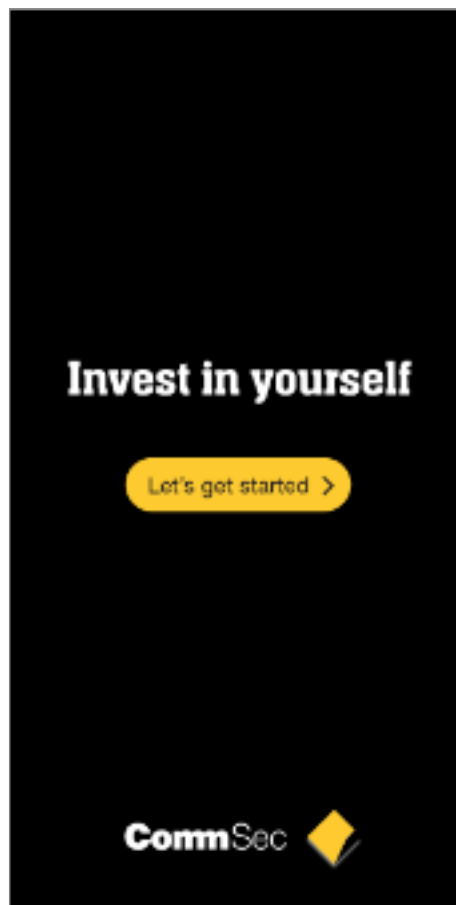
The chief executive of Domus Homes says his services, which start at \$500,000 for Sydney's eastern suburbs, have been flat out all year.

His customers are mostly wealthy home owners who want to improve their property for their own pleasure and the tax benefit from the capital gains break on the primary home.

"People are starting to feel the sky is not going to fall on their heads," he said. "They are feeling very comfortable about spending on real estate as values of properties are rising.

"Interest rates are low and owners have an acquisition that has increased in quite a lot of value. People are not afraid to borrow and capitalise on their assets. That's why we are getting calls. But, it is not a bubble issue."

Building forecaster BIS Shrapnel's data on Monday, showed a surge in alterations and additions that has continued since February. The value of residential alterations and additions rose 10.8 per cent to a seasonally adjusted \$652 million in April, the biggest



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monthly gain in over two years.

But a proliferation of renovation programs on Australian TV is not a sign the Sydney market has over invested in real estate, the property industry says.

Something 'amiss'

Renovation companies and builders say they are not seeing what [Treasury secretary John Fraser calls an "unequivocal" house price bubble](#) for Sydney and more expensive suburbs in Melbourne.

Mr Fraser told a Senate committee on Monday that the popularity of home improvement shows such as The Block, House Rules and Reno Rumble indicates something is "amiss". Even television executives are bemoaning the number of shows dedicated to renovations.

Mr Edelstein said the people booking in renovations can afford them and most of them were looking to improve their homes.

"People in Australia love their houses. They would have started capital works on their homes a year ago but waited for economic conditions to pick up before committing to the expenditure," he said.

"The language has all become positive and property owners are anticipating this situation to last for a while but they are not pushing their boundaries."

Excessive investment does not seem to be the issue with many buyers in Sydney and Melbourne who are not able to secure even their first home or investment.

Sydney taxi driver Mohammad Alam said he tried to get a loan in January for a house in Ingleburn but was turned down by his bank, ANZ. He wants to buy a \$450,000 three bedroom house to live in with his family.

"I filled in the paperwork but could not get a loan. My savings are not enough," he said.

The Australian Prudential Regulation Authority has warned lenders not to increase investor loans by more than 10 per cent a year with an aim to slow prices gains, especially in Sydney and Melbourne.



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