

# QS Corner



Welcome to QS Corner!  
This month we examine why less is more!



**T**here are 3 main reasons why lower priced property often has a higher depreciation ratio in relation to the purchase price.

Firstly, “wet areas” (kitchen, bathroom, etc) are more expensive to build in comparison to bedrooms, per square metre.

Given a one-bedroom apartment still has a kitchen and bathroom, increasing the number of bedrooms (which are cheaper to build), means the construction cost – as a ratio – decreases.

Secondly, white goods in these areas depreciate at both a higher and quicker rate than brickwork and concrete.

So, as you add more bedrooms / other rooms into the mix – you reduce the effectiveness of these highly depreciable items.

The third reason relates to land value.

We see numerous projects where the ratio of construction cost to purchase price is roughly 50/50.

But when you look at the more luxurious end of the market, there is only so much building you can physically put on the land.

For example, a recent landmark sale in Bondi saw \$4M paid for a 100m<sup>2</sup> block of land. True story!

Yet, it would be difficult to spend \$2m on the construction of this property - even using gold plated taps!



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