

# Now&Next



 AUTUMN

 **Three things you should know before investing in multi-generational living**





# Three things you should know before investing in multi-generational living

**Granny flats and multi-generational housing have garnered a lot of media attention lately as possible remedies for rising housing costs. Yet there are three important things you should know before you dive in.**

As cost-of-living pressures bite and family members look for ways to support each other, multi-generational living is being discussed as a solution. Pointing out the potential, property researcher CoreLogic identified more than 655,000 residential properties as being suitable for a granny flat in Australia's three biggest cities: 242,081 in Sydney, 229,051 in Melbourne, and 184,660 in Brisbane.<sup>1</sup>

Yet, as more Australian families consider living together and sharing property assets, it's important to understand what's involved. Whether you're considering adding extra rooms or a granny flat to your property, here are three things to consider.

## 1. What are the costs and will it increase my home's value?

Increasing the size of your property may increase its value. According to a report by **Core Logic and Archistar**,<sup>2</sup> adding an extra two bedrooms and an additional bathroom, for example, could add as much as 32% to the value of an existing property. Obviously, the better the quality and liveability of the addition, the greater the likely value increase (among other local market factors). An independent registered property valuer should be able to advise you on the type of addition that would optimise your property's value, considering your neighbourhood. Here are some ways to estimate the costs:

- ▶ **New building.** Archicentre offers a construction [price guide](#)<sup>3</sup> and [cost calculator](#)<sup>4</sup> which may help you estimate the costs of adding to your property. Granny flat providers suggest costs from \$120,000 to \$140,000 for a completed one-bedroom dwelling, to between \$145,000 and \$155,000 for a two-bedroom home.<sup>5</sup>
- ▶ **Modular building.** Pre-built granny flats and converted shipping containers may be available at lower price points than those mentioned above.<sup>6</sup>
- ▶ **Other costs.** Site access, water, sewerage and electrical connections will also affect costs. Also consider landscaping, as it's an investment that could make the property much more appealing over the long term.



**Capital gains tax exemptions**<sup>7</sup> may be available where there is a granny flat arrangement. This is a written agreement that gives an eligible person the right to occupy a property for life that's not commercial in nature. However, ensure that advice is obtained from a tax professional if this is of interest to you.

Also remember that adding a secondary dwelling does not entitle you to sell it on a separate title in the future.

## 2. Is your property suitable?

State governments have eased requirements on secondary dwellings in recent years to help tackle the housing shortage, but you still need to check with your local council to see if your property is suitable. Consider:

- ▶ **Local council requirements.** Check what types of structures your local council allows in your area.
- ▶ **Space.** Consider any state or council rules for separate entrances, setbacks from fences and building to land ratios.
- ▶ **Privacy.** Will there be enough privacy for family members? And for the long term, is the privacy appropriate for a renter who's not related to you? Separate entrances, decking and planting arrangements can assist.

## 3. Protecting yourself and your relationships

If you're planning to live and share property assets with family members, talk to your solicitor and get the arrangement set out in writing. This is to protect everyone involved and avoid conflict in the future. You'll want to establish how much each family member is contributing to the construction or purchase costs as well as to other expenses such as rates, insurance and maintenance. Your legal agreement should also consider estate planning implications and set out what happens if a family member wants to move out or sell the property.



### How we can help

While multi-generational living can bring personal and financial benefits, careful consideration and planning is required. If you'd like to learn more about how multi-generational living could fit into your financial plan, speak to us. We can provide assistance, taking into account your overall financial goals.

1 CoreLogic, Archistar, Blackfort, [Granny flats: Where are the greatest opportunities for development?](#), October 2023, accessed 27 February 2024

2 Ibid

3 Archicentre [Cost Guide 2023](#), accessed 27 February 2024

4 Archicentre [Cost Calculator](#), accessed 27 February 2024

5 Backyard Grannys, [The Ultimate Guide to Costs to Build Granny Flat – Plans and Prices in 2023](#), accessed 27 February 2024

6 Modular One, [A new standard in granny flat design](#), accessed 27 February 2024

7 Australian Taxation Office, [CGT exemption for granny flat arrangements](#), accessed 27 February 2024

# The numbers

Household spending is **3.0%** higher than a year ago, driven by spending on essential goods and services.<sup>11</sup>

The unemployment rate is **4.1%** at January 2024.<sup>12</sup>

During the December 2023 quarter, the total managed funds industry rose **\$176.6b (3.9%) to \$4,751.5b** funds under management.<sup>13</sup>

Inflation continues to impact most goods and services. CPI rose

**0.6%** in the December quarter and was up **4.1%** in the past 12 months.<sup>14</sup>

Australian retail turnover rose **1.1%** (seasonally adjusted) in January 2024.<sup>15</sup>

This document contains general advice. It does not take account of your objectives, financial situation or needs. You should consider talking to a financial adviser before making a financial decision. This document has been prepared by Count Financial Limited ABN 19 001 974 625, AFSL 227232. Count is 85% owned by Count Limited ACN 126 990 832 (Count) and 15% owned by Count Member Firm Pty Ltd ACN 633 983 490. Count is listed on the Australian Stock Exchange. Count Member Firm Pty Ltd is owned by Count Member Firm DT Pty Ltd ACN 633 956 073 which holds the assets under a discretionary trust for certain beneficiaries including potentially some corporate authorised representatives of Count Financial Ltd. Count and Count Wealth Accountants\* are trading names of Count. Count Financial Advisers are authorised representatives of Count. Information in this document is based on current regulatory requirements and laws, as at 1 March 2024, which may be subject to change. While care has been taken in the preparation of this document, no liability is accepted by Count, its related entities, agents and employees for any loss arising from reliance on this document. Count is registered with the Tax Practitioners Board as a Registered Tax (Financial) Adviser. However your authorised representative may not be a Registered Tax Agent, consequently tax considerations are general in nature and do not include an assessment of your overall tax position. You should seek tax advice from a Registered Tax Agent. Should you wish to opt out of receiving direct marketing material from your adviser, please notify your adviser by email, phone or in writing.

**CONTACT YOUR COUNT ADVISER AT:**

<sup>11</sup> Australian Bureau of Statistics

<sup>12</sup> Australian Bureau of Statistics

<sup>13</sup> Australian Bureau of Statistics

<sup>14</sup> Australian Bureau of Statistics

<sup>15</sup> Australian Bureau of Statistics