

Regurgitate

A recent study showed that Underwood in Logan City, in Brisbane's south, is Queensland's best performing suburb when it comes to detached house price growth over the past decade.

The other top ten Queensland suburbs for detached house price growth included Ashgrove, Sunnybank, Hawthorne, St Lucia, Fig Tree Pocket, Sunnybank Hills, Holland Park West, Holland Park and Paddington.

Go [here](#) to read the original article.

I normally just roll my eyes when I read this type of stuff but given that quite a few property people shared this article with me and many – too many in fact – suggested that it was great analysis, has forced my reply.

I mean really Underwood?

Some facts

So, let's take a step back and review some facts.

Over the last ten years, there have been 525 new detached houses built in Underwood. This is an increase of some 40% over the existing detached housing stock of ten years ago. Many of these newly built homes are actually dual-key homes, so they are really two residences (under one roof and on one title) and are not comparable to the older, and often run down, single residency houses sold a decade ago.

Another factor is renovation activity. Our work suggests that close to two-thirds of the detached houses resold across south east Queensland over the last decade have had a renovation between sales.

Furthermore, we have found that in one out of four cases, the renovation costs were close to half of the previous purchase

price. And in 10% of cases the cost of this renovation actually exceeded the cost of the previous total purchase price.

In Underwood, last year, 17% of the monies spent on new housing construction in the suburb was spent on major renovations. Here we aren't talking about a quick tip down to Bunnings, a lick of paint and a front yard do over, but major costs.

Comments

The only way to assess actual price growth is to look at resales and then to compare only those sales that haven't had a major renovation.

When you see a 'hot list' for detached house price growth, ask yourself how have the figures been influenced by newly constructed houses and/or recent renovation activity.

Another important factor is survey size. If you are going to use median house prices as a benchmark, then you need to have many hundreds, but preferably thousands of sales, to ensure a meaningful sample.

We only use large areas – like a total local authority area – when using median values. And only then as a broad indicator. Nothing beats detailed sampling, comparing like with like and focusing on individual resales.

What increasingly gets measured in real estate is the stuff that is easy to regurgitate rather than meaningful measures. But sadly, few want to pay for the real deal these days.

As a result, many – again too many – get caught up in this hype.

What I think

So, what do I think has really happened to house prices in the Logan City area over the past ten years?

Our analysis suggests that detached house values have risen by about 20% over the last decade, with about a 4% increase during fiscal 2018.

That feels about right for Underwood too. Moreover, my analysis of clean detached house resales in the suburb confirms such. And it's a far cry from the spruiked 66% increase.

Until next time,



Michael Matusik

....

Matusik Missives are free but public support is vital so that I can continue to fund investigations and publish posts which speak reason to the distortion. **Your annual \$99 donation helps me, help you! Click [here](#) to donate.**