

# THE KEY

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Carlton utility Andrew Walker is shifting across town after putting his luxurious Maribyrnong house up for sale

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Braemar St, Essendon, average three-bedroom house \$1.85m



\$1.85m 3br renovator's delight, 2 Braemar St, Essendon

## Worst house no longer the best bet

### Buyers willing to pay a premium for fresh canvas

JOHN DAGGE  
Key editor

IT'S long been property's golden rule — buy the worst house in the best street. But does it still ring true? Not in Melbourne, say real estate experts who warn that run-down properties situated in prime locations can end up costing buyers more than a fully renovated home in the same street.

Warwick Brookes, director of Domain Property Advocates, said the idea that a neglected property was a cheap way to get into an expensive street is no longer the case.

"These kinds of houses are no longer cheap in any sense," Mr Brookes said. "If anything, they can be more expensive in the long run. It can now be cheaper to buy a fully renovated house rather than one that is in need of major repairs given the time and money you will need to spend on it."

Buyers are even willing to pay a premium for run-down properties located in their ideal location in order to have a "fresh canvas" on which to build their dream home.

"Demand for unrenovated houses has made fully renovated houses cheaper," Mr Brookes said.

"A lot of buyers want a place

where they can start from scratch. They want a fresh canvas and they are willing to pay for that."

The best value now lies in properties which were renovated 20 or 30 years ago, Mr Brookes said. The tiles may not be to your liking and you may want to change the laminex in the kitchen, but these renovations are far easier and cheaper to carry out than major structural repairs.

"Properties which have had an older renovation done really represent better value in the marketplace — they have had all the major and expensive work done to them," Mr Brooke said.

"A lot of buyers are put off because they don't like the cosmetic appearance of the property and they don't want to buy someone else's work."

"But the cosmetic appearance of a house is the easiest feature to change. Buyers need to keep this in mind."

Paul Do, author of *I Buy Houses: The Property Investors' Handbook*, said the worst house in the best street generally provokes irrational buying behaviour.

"Investors think they can add value to the house so they are often willing to go beyond the fair price in the belief they can make it up down the line," Mr Do said.

"The worst house in the best street also tends to attract a lot of buyers which drives prices up. When you buy a property you want to avoid competition."

Mr Do said the real bargains often lie in the best house in any street.

"There is less buying competition for these houses for a start," he said.

"The best house is also more likely to be overcapitalised

than the worst house. You can buy a house that has had a lot of money spent on it at a good price, rather than buying a risk."

Brad Teal, director for Brad Teal Real Estate, also urges buyers to think carefully before diving into a perfectly located dump.

"You still need a very thick wallet to buy the worst house in the best street," Mr Teal said. "It's OK if you have got the money to either demolish your worst house and build your best home in the best street, or you have enough money to rent a house while renovations are being carried out. Sometimes it might be better to look at a good home in the next-best street."

Hocking Stuart CEO Nigel O'Neil remains bullish on the adage, but says buyers still need to do their homework when looking at these properties.

"Those tried and tested rules have been around for a long time and there is a reason for that," Mr Hocking said.

**You still need a very thick wallet to buy the worst house in the best street**

BRAD TEAL

"But you still need to know the market and pay an appropriate price. The worst properties in the best streets are always in high demand, but people can tend to overpay for them — I see it every weekend. You need to know what the values are in any neighbourhood, set your limit and don't go above it."

For investors, JPP Buyer Advocate Catherine Cashmore said finding a property which will provide healthy capital gains is a lot more complicated than snapping up the worst house in the best street.

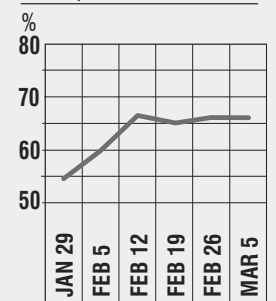
"It's true that you can change your house but you can't change your location, but buyers can slip up if they simply go for the worst house in the best street," Ms Cashmore said.

A prime mistake many investor-renovators make is buying a property which does not match the suburb's buyer profile.

"People often buy the wrong house in the right street," she said. "School zones are great areas. But if you are buying a run-down, two-bedroom unit in a school area you really have to ask yourself, what's the point? You need a family home in that kind of area to make sure you appeal to the widest range of future buyers."

### KEY FIGURES

Private sales	597
Auctions reported	806
Sold	457
Sold before	76
Sold after	1
Passed in	272
On vendor's bid	154
Auctions last week	939
Auctions last year	244
<b>CLEARANCE RATES</b>	<b>%</b>
Overall yesterday	66
Overall last week	66
Houses yesterday	67
Houses last week	64
Flats/apts yesterday	64
Flats/apts last week	70



### MARKET REPORT

#### AFFORDABILITY STILL A CONCERN

NEWS that Australia has the most overpriced property in the world failed to scare off buyers yesterday, with Victoria's auction clearance rate holding firm at 66 per cent.

More than 800 properties went under the hammer, hot on the heels of a report by *The Economist* magazine that found Australia's house prices are over-priced by 56 per cent.

But yesterday's result is still far below the dizzy heights the market hit this time last year.

"We've had a string of interest rate rises since then and prices are a lot higher now," Real Estate Institute of Victoria spokesman Robert Larocca said.

"Affordability is proving to be a significant concern for buyers in the middle end of the market."

Barry Plant group manager James Hatzimoisis said the company sold 29 of the 48 properties that went to auction.

A new record was set in Taylors Lakes when a 654sq m vacant block of land at 1 Blackman Cres sold for \$450,000.

Fletchers director Tim Fletcher said the company sold 14 of the 17 properties it put under the hammer.

"The market is not through the roof, but it's not low either," Mr Fletcher said.

Strong bidding by seven developers for a 1960s three-bedroom home on 722sq m at 20 Tristiana St, Doncaster East, pushed the sale price to \$685,000 — \$55,000 above the reserve.

The home will be demolished and units built at the site.

Jellis Craig director Alastair Craig said the company held 31 auctions and posted a 64.5 per cent clearance rate.