

Tough times at the top end

SIMON JOHANSON

May 9, 2011



Winter time blues for vendors

As winter sets in, it's becoming a buyers market. Simon Johanson reports.

[Video feedback](#) [Video settings](#)

The two-speed economy is being mirrored in the property market, where houses are now seen as overvalued compared with other investments.

IF MINING speculator Socrates Vasiliades sells his Toorak mansion for \$30 million it will be the most expensive house in Victoria but it won't be the priciest property in Australia.

The little-known Vasiliades, whose latest business venture involves exploratory mineral drilling in Central Africa's Congo and neighbouring Gabon, would need to wangle an extra \$27.5 million from a prospective buyer to claim the residential record.

Australia's most expensive house - the lavish Perth home of mining heiress Angela Bennett - sold in late 2009 for \$57.5 million. The sprawling Mosman Park estate sits on a huge riverfront allotment with three self-contained buildings, a private jetty, boathouse, gym, cinema, pool and tennis court.



The Vasiliades property in Toorak.

Mr Vasiliades is also vying with Sydney's exclusive eastern suburbs. There, the largest array of costly property in Australia is clustered on a small promontory east of central Sydney.

Carrara, the three-level European-style Vacluse villa of private equity investor Patrick Keenan, sold last year for \$26.75 million. Another mansion in Queens Avenue fetched \$23.5 million.

Over in Bellevue Hill a house in Victoria Road went for \$23 million while another in Darling Point's Thornton Street fetched a similar price.

In Melbourne, Vasiliades' 22-room manor with its manicured garden, lift, cinema, gym, pool and basement parking that took six years to build, also faces stiff competition.

The windswept cliff-tops of Portsea set the most recent residential record with the sale of former Computershare director Michele O'Halloran's Ilyuka mansion for about \$26 million. Kay & Burton director Ross Savas negotiated the deal for Ilyuka and is trying to better that with Vasiliades' Towers Road home.

The agency was also behind another record sale, the former home of Richmond Football Club president Clinton Casey and his wife Leslie, a four-level Hawthorn mansion, which went for \$20.25 million in November 2009.

According to Savas, Melbourne is becoming more desirable than Sydney and, as a result, is attracting the majority of wealthy expats wanting to return to Australia.

"We have an amazing lifestyle, culture, arts and theatre," he says. "People who are sophisticated and have been living in London, New York, Singapore
smh.com.au/.../tough-times-at-the-top...

9/05/2011

Tough times at the top end

and Hong Kong, that's what they're looking for."

But, quite apart from questions of which city has the best lifestyle, the recent downturn in the market is putting a dent in the prices of the cosy homes of the wealthy.

Market fluctuations tend to be exacerbated at the top end.

While things were looking good in 2009 and early 2010, suburbs such as Melbourne's Brighton, Sydney's Double Bay or Brisbane's Hamilton shone. Now their prices are declining more rapidly than their less salubrious neighbours.

Australia's much discussed two-speed economy is being mirrored in the property market.

On an annual basis, the top 20 per cent most expensive homes in Australia shed 3.3 per cent of their value in the year to March. Much of that decline was in the first three months of this year when they dropped by 2 per cent.

Contrast that with a 0.3 per cent fall over the year to March for the middle 60 per cent of the housing market and further down the food chain a 0.3 per cent *increase* for Australia's more affordable homes, according to figures on the RP Data-Rismark home value index.

"It's showing that the top end's slowing quite quickly," RP Data senior property researcher Cameron Kusher said. "That's being reflected in auction clearance rates as well."

Of all the top-end property markets in Australia, Perth's capital gains are hurting most.

It's down 11.8 per cent over the year and 8.4 per cent over the March quarter. Brisbane, too, is struggling with the top 20 per cent falling 8.2 per cent over the year and 4.5 per cent over the quarter.

High net worth individuals have recognised the limited outlook for capital growth in residential property. A recent survey of nearly 2000 by research group Investment Trends found a sharp decline in the number of investment properties held by these individuals between 2009 and 2010.

In 2009, 64 per cent of those surveyed with \$1 million or more to invest outside the family home had an investment property. By the end of last year that figure was 55 per cent.

Their findings are supported by Australian Bureau of Statistics data that shows lending to Victorian housing investors in 11 months out of 12 in 2010 hit a new high each month. Whereas, in the first two months of this year lending dropped off markedly.

As well, another Investment Trends report found 74 per cent of margin lending investors believed Australian residential property was much more overvalued than any other asset class.

But Savas thinks Vasiliades' mining-financed Toorak pad will, like many other prestige properties, be able to weather any downswing in the market. They're "definitely immune", he says. "Usually these properties are kept in the family for generations."

It's a belief supported by buyer advocate Mal James. "People don't have to act at the top end," James says. "There's a lot more discretionary selling and there's a lot more discretionary buying."

"At those sort of levels, with those sort of properties, you ask whatever you like, and you get to pay whatever you like."

sjohanson@theage.com.au

