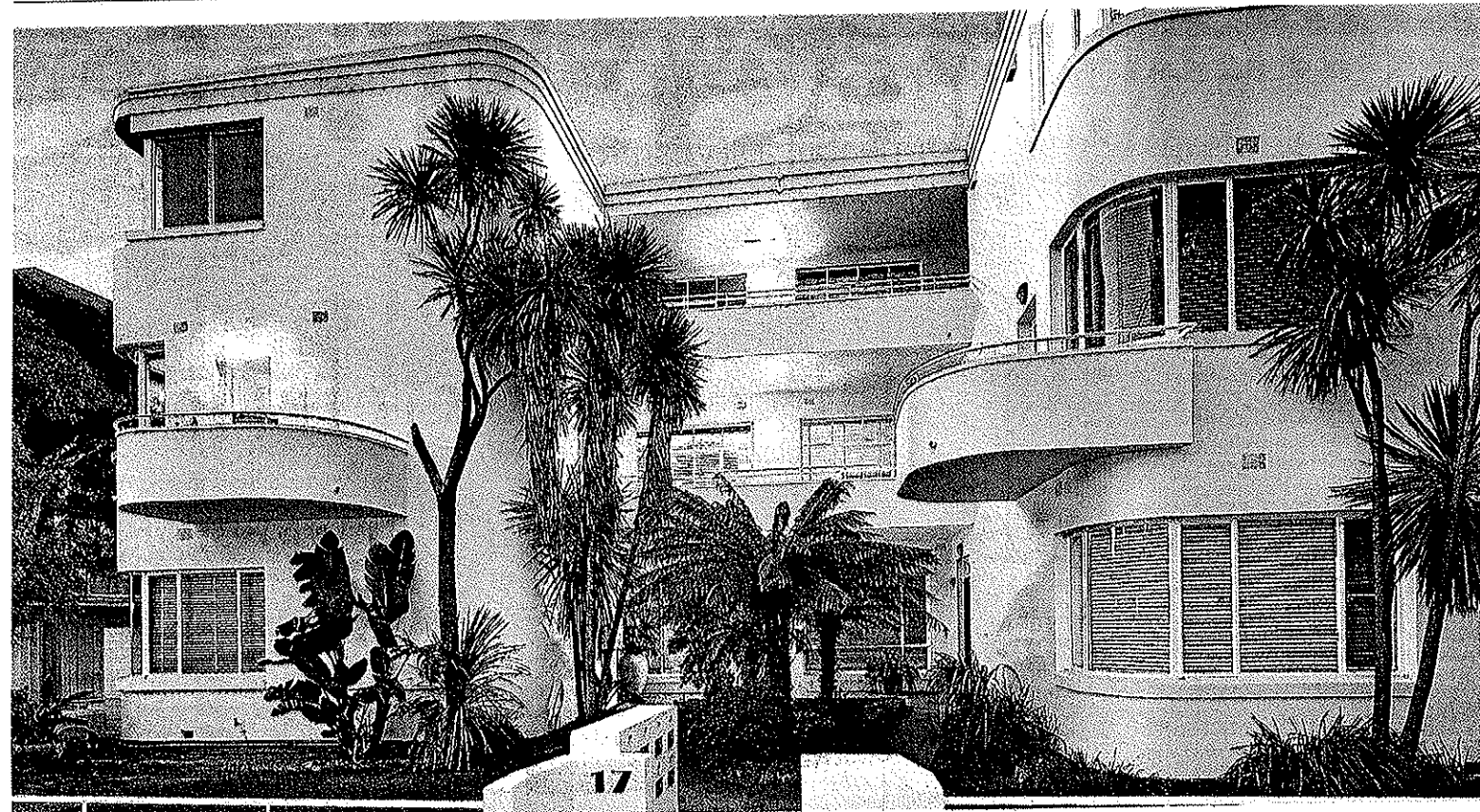


INVESTMENT CHRIS TOLHURST



The relative rarity of art deco properties is one of the reasons for the style's increasing popularity.

Valuing mature beauties

The larger land component of older, smaller blocks means higher return for investors

RETRO-chic isn't just a plus factor in fashion. Apartments dating from the art deco era through to the late 1970s may lack contemporary edge and city-skyline views but a "vintage" flat often brings a higher return.

In an established, low-rise apartment complex, for example, the land value assigned to each unit can be up to six times greater than for a newly built unit. A high land-to-unit ratio delivers strong capital growth, especially in the long term.

The scarcity factor pushes up values, too. Paul Osborne of Secret Agent, a Carlton North buyer's advocacy company, says art deco flats are keenly sought by investors but hard to find.

"The people who built those places back then had a different mindset," Mr Osborne says.

"It wasn't about, 'How can we cram as much as we can onto this block of land?'"

"Land was more abundant and the pushing-the-boundary factor wasn't as big. The positive consequences of this are that the apartments are generally bigger, their construction is generally more solid — double brick — and there is a higher land component per apartment."

Reality bears out the theory. Art deco and similar period flats in good streets remain in hot demand.

In March, a two-bedroom 1940s ground-floor unit in a block of 10 in Coppin Grove, Hawthorn, was passed in at auction for \$801,000. The flat, in need of renovation, was later sold for an undisclosed sum. More than a few property experts believe these types of apartments will soon sport price tags of \$1 million-plus.

Land-to-unit ratios strongly affect values, especially in inner-urban areas where land is scarcer and more expensive whatever the age of the property.

Units built in the '60s and '70s

might lack the dark-wood architraves and elegant ceiling roses of the art deco period but many have big floor plans and are on large blocks.

The managing director of Wakelin Property Advisory, Monique Sasson Wakelin, says the land value attributed to each unit in high-density apartment towers is a minuscule part of the purchase price, often 10 per cent or less.

In low-rise, established complexes the land value of each apartment represents about half of the price.

Ms Wakelin says established apartments in well-positioned inner-urban complexes of 15 or fewer units are increasingly in demand, yet their supply is highly constrained. "It's this equation that sits underneath their performance and makes them as strong an investment proposition as any other in the Australian property market," she says.

Older units appeal to owner-occupiers as well, which hikes up resale prices. There are also lower outgoings because walk-up unit blocks don't have lifts or other costly services.

Property adviser Phil De Feghel of MGI Melbourne, says two-bedroom art deco flats will be the first to go to \$1 million prices.

By 2016, he says, "ordinary" 1960s and '70s inner-city units on big land will be worth that, too.

Established units also tend to return above-average incomes. New research from RP Data show Melbourne's median rent for houses is \$360 a week, 38.5 per cent higher than in 2006. Melbourne's median rent for units is just behind at \$350 a week and it's up 45.8 per cent on 2006 unit rents.

Mr Osborne says inner-city houses deliver yields of 2 per cent to 3 per cent a year. With an apartment, he says, you can push up yields to 4 per cent.