

Market report

The rise and rise of wrecks appeal

Fierce bidding wars are being fought for decrepit properties nationwide, reports Ruth Bloomfield

Next week an extraordinary house will go under the hammer. The property in northeast London belonged to the late William Lytton — otherwise known as the Mole Man of Hackney. Over four decades Lytton, an inveterate hoarder, dug a labyrinth of tunnels beneath his home spreading up to 20 metres (65ft) in every direction, some to a depth of 8 metres. His efforts to create the ultimate basement excavation left the Mortimer

Road property in such a perilous state that Hackney Council was forced to fill the tunnels with concrete to prevent its total collapse. Nonetheless the house, with planning consent for redevelopment, has a guide price of £750,000.

Andrew Binstock, the director of Auction House London who will be wielding the gavel on Thursday, says: "People always say buy the worst house on the best street, and this is the dictionary definition of that. We have not even been allowed into the house to see it because it is considered so dangerous, but it is in a fantastic location and we have had a lot of interest." Binstock is hopeful of achieving his asking price and even at a time of extreme, record-breaking stagnation in the property market, he could be right — despite five years of recession our enduring love affair with the romantic wreck is undimmed.

Agents across the country are witnessing extraordinary (in the current climate) bidding wars for decrepit houses.

In March Alex Oppenheim, associate director at John D Wood & Co, sold a house on Montholme Road, Wandsworth,

that had remained in the same family for 50 years and required complete refurbishment. The asking price was £975,000 — and within a week he had 24 offers. It eventually sold for almost £1.1 million.

This anecdote is not a one-off. Nicholas Pearce, a director of Beane Pearce, recalls a recent contest over a dilapidated house in Bourne Street, Belgravia, which was eventually sold for £250,000 above the asking price. And nor is this just a Central London phenomenon. James Bedford of

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The former home of the "Mole Man of Hackney", William Lytton,

goes under the hammer on Thursday with a guide price of £750,000

Bedfords estate agents in Suffolk, says: "Properties needing complete renovation are one of the strongest parts of the market. We have sold a number this year where prices were agreed by competitive negotiation, best offers or sealed bids."

The question is: who is buying these run-down houses, and is it a good idea in a deflating market?

Ben Caulton, 32, a consulting engineer, and his wife, Rachael, 29, a management consultant, think it is. They went to sealed bids to secure their first family home in Putney, southwest London, which was on the market with Kinleigh Folkard & Hayward. The previous owner of the four-bedroom property had been a 93-year-old man, and the house was in an appalling state.

"He was living on the first floor and the ground floor was basically derelict," Ben Caulton says.

The house had no gas supply, no central heating, lead piping, a rickety roof and a grimy 1970s bathroom and kitchen.

Caulton has taken a six-month sabbatical from work to rebuild the house — he has a tight deadline since the couple are expecting their first baby in November. The couple estimate that buying a similar property in good condition would have cost them about £100,000 more than they paid for their home.

They hope that their build, even taking into account Caulton's lost wages, will cost less than that — but they don't expect to make a killing.

"We are definitely constrained in what we are doing to the house by the fact that we don't want to end up spending more on it than we could sell it for," Caulton says. However, profit is not the

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issue here. "We are after a home that we can live in for 20 years," he adds.

The lack of profit margin in wreck repairs is the reason that amateur developers (a key motif of the boom years) have largely vanished.

And shrinking profit margins mean that professional developers have gone quiet everywhere apart from prime Central London, where prices are still rising.

The reason that the wreck market remains so strong is that an army of owner-occupiers like the Caultons have stepped in to fill the gap.

Simon Merton, of Strutt & Parker, based in the Cotswolds, explains: "End-users are happy as long as the project washes its face. In some cases they're prepared to bid over asking price on a site if they are taking a longer-term view."

The Caultons agree that their motive for buying such a run-down home was largely financial.

"We could not afford to buy such a big house in this area, and we didn't want to buy somewhere smaller that we would outgrow and have to leave in a couple of years and end up paying stamp duty

twice," Caulton says. The couple are also excited about the prospect of putting their own mark on their home.

But despite the undoubted benefits of buying a wreck, there are pitfalls too.

"The margin between the price of a beautifully presented house and one that is unmodernised or in need of renovation is narrower now than at any time I can recall," Edward Heaton, of the buying agent Property Vision, warns.

"In the country-house market it is rare for someone to be able to buy a house and then renovate it and for the finished value to be greater than the sum of the two — and this is before moving costs are taken into account."

Robert Bailey, another buying agent, fears that unscrupulous estate agents are giving inflated valuations in order to win custom, meaning some wrecks are wildly overpriced. "Once you've bought the property and spent the money doing it up, it ends up costing more than you would have paid for a fully renovated property," he warns. Richard Greener, from

Richard Greener Estate Agents, Northampton, is concerned that wreck buyers have simply failed to get the message about just how tough today's market really is. "Perhaps this is the influence of TV programmes showing people how easy it was to make money this way before the crash," he says. "However it's not so easy these days, and I wonder if they are watching pre-2007 repeats on [the freeview TV station] Dave."

"The key to a successful refurb project is buying the right property at the right price. Get that bit wrong and the chances are the profit margin will quickly evaporate." For details of the Mortimer Road sale visit auctionhouse.uk.net