

FINANCIAL REVIEW

News

Cancelled road houses sold - with conditions

East West Link row Michael Bleby

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Dean Hardaker's two-bedroom house in Melbourne's Collingwood was compulsorily acquired last year for the East West Link road project. In March, Hardaker got a letter inviting him to buy his house back. But even now that the project has been buried by Victoria's Labor government, he's glad he didn't.

"It is the uncertainty that you can't get your head around," Hardaker says. "In tomorrow's government, maybe - is it - back on the agenda?"

Jump across Melbourne to St Kilda Road and the handsome apartments overlooking the botanic gardens and Shrine of Remembrance are set to become even more attractive. Premier Daniel Andrews this week announced a rail tunnel with a station below - one of five in a line from the Domain interchange to Parkville and Arden north of the CBD - that will get residents and workers to the city centre in about five minutes.

But will that project happen? Investing in property in key areas of Melbourne is going to become a gamble over which infrastructure, if any, gets built. The announcement of a \$339-million deal between the government and consortium to can the East West Link was followed a day later by the Metro Rail announcement - returning the much-debated rail project to Labor's preferred choice.

The words Caveat Emptor - buyer beware - should hang next to any For Sale sign on property near slated infrastructure projects.

"There's a general level of concern within the community at large that the swings and roundabouts of government will create a high level of instability in terms of what should be long-term promises," says

Megan Motto, the chief executive of Consult Australia, the lobby group for consulting engineers.

Committee for Melbourne chief executive Kate Roffey said the fact the government had diverted \$3 billion of East West Link funding to other projects and the fact it had committed to a 2018 start date was positive. "They're all good signs that the project will start," she says.

In Collingwood, uncertainty is not the only thing keeping owners from staying in the area. The state government may have started offering owners of the 100-odd properties it compulsorily acquired the chance to buy back their properties, but is playing hard ball by not taking any of the risk that now hangs over those properties.

The buyback price is fixed at the market value paid for the dwelling by the government, but legislation also typically gives owners leeway to negotiate around risks envisaged by the relevant legislation, such as loss of value in the future.

In this case, however, the Linking Melbourne Authority - the agency overseeing the project - wants owners to absolve it of any of these risks, according to Anton Dunhill, Mr Hardaker's lawyer.

"If the Linking Melbourne Authority was an ordinary vendor, you would expect that a prospective purchaser would discount the original market price based on all the uncertainties," said Mr Dunhill, a Hunt and Hunt partner. "You would expect the market to be concerned about the future of the property and the area, whether now or in times to come. LMA have absolved themselves of these risks, saying 'If you want this property, this is how you get it'."

Those risks, and the fears of owners, are already being realised. Mr Dunhill said another client wanted to buy his Parkville apartment back but was wary about doing so because homeless people had moved into the empty parts of his building.

The Linking Melbourne Authority did not directly respond to the criticisms. "This is a unique situation and we will continue to work with property owners on any issues and keep them informed about developments," it said in a statement to AFR Weekend.

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