

## Which is Better: A Brand New Home or An Older Property?

Real Estate Tech, July 2001

Stephen Chung BS BBuildg(HKU) MS in Real Estate(MIT) ARICS AHKIS MAACE MHIREA NAREIT FPFM PQS RPS-QS  
Zeppelin Real Estate Analysis Limited - Phone (852) 24016388 / Fax (852) 2401 3084 stephenchung@zeppelin.com.hk

---

If the budget is infinite i.e. NOT a consideration, naturally the newer the home the better, given the location, home size, amenities and the like are more or less the same for the new and older properties. Yet, in reality, home purchase budget IS a consideration and many owners-to-be are faced with situations such as having to decide whether they should go for a **newer but smaller** property, or a **larger but older** one in the same neighborhood, OR more often, having to decide whether to acquire a **newer but less well located** property, or a **much older but well located** one.

Tough choices, and there are no quick answers, or even right or wrong ones, as home buying is often more than just a numbers (investment) consideration, personal home (subjective) preferences come into play too. And these two ends, investment needs and home preferences, often collide. Perhaps the following may help to throw some light:

- a) **Prioritize** = decide which of the above 2 ends will take precedence. This enables a more effective and focused home search and the chance of having to regret one's decision is reduced. If investment needs come first, factors such as re-marketability i.e. the ease of sale within a reasonable future timeframe (note: ease of sale does NOT necessarily imply a higher price than what has been paid for, it is just that compared to other properties, the one chosen is likely to be easier to get rid of), location and so on are more important. If home preferences come first, the décor, floor size, bedroom shapes etc or whatever one fancies take precedence. These considerations may or may not be conducive to enhancing the investment aspect. Lucky are those whose home purchase criteria meet both investment and home preference needs.
  
- b) **Older properties do NOT ALWAYS imply a higher level of maintenance** = though in general this would be true. Nonetheless, given the choice between a well maintained and managed old property and a new but poorly constructed one, and strictly from a maintenance point of view, possibly the former deserves a bit more interest.
  
- c) **The 'comparative newness' of the new property decreases over time** = say Property A is new and Property B is already 10 years old ( $B/A = \infty$ ). Ten years later, A is 10 years old while B is 20 ( $B/A = 2$ ). Another ten years later, A is 20 while B is 30 ( $B/A = 1.50$ ) and so on and on. In short, the feeling of having a "Brand New" property dries up very soon. Naturally, owners who must have new homes can move every 2 years or so but that may be tedious from a quality of life perspective.

- d) **Location is still perhaps the best guarantee to maintaining a price advantage** over other properties = The Peak is always The Peak and it is hard to duplicate or even to substitute at times (technically all properties are unique yet most are relatively easy to substitute). Please note that a good location in itself may NOT be much of a factor in terms of price appreciation, as the latter usually occurs because of favorable socio-economic performance. It is just that irrespective of a good or down market, a good neighborhood ensures a relatively higher selling price than the properties in lesser locations assuming all other things being equal. Whether this higher selling price can cover the investments put in is another question.

Regardless of one' s inclination (investment versus home preferences), the **quality of the real estate management** is also an important factor. When well done, it helps to sustain the price advantage, while at the same time ensures a comfortable residence.

[Click here to return: Real Estate Tech](#)