

## Bad Areas are Easy to Spot!



By **Brian Madigan LL.B.**

This will be an area where the buildings are old and in disrepair. Generally, you don't want to live there. Poor quality buildings, neglected and not well-maintained line the streets. Its architectural charm is lost or hidden by aluminum siding, sheet metal or has simply fallen off. The lawns and landscaping are also neglected. Inside, the homes are often divided to house more than one family. The area becomes congested and intensified with a heavy demand upon the local infrastructure.

The commercial establishments are non-competitive with the retailers in other areas.

There are numerous for sale signs and few buyers. As well, you will often find that the crime rate increases in these areas for a variety of reasons. So, if the area has an increased police presence, you should probably avoid it.

You are also likely to find that on a relative basis the area had higher pricing 10 years ago. At some point in time, this type of area will become suitable for redevelopment. However, that could take 30, 40 or 50 years. This type of area is often simply overlooked and avoided in many urban centres.

Oftentimes, real estate investors will look for a bad area, hoping to buy for a good price before the turnaround. Sometimes it takes a quarter of a century and sometimes it never turns around. So, be careful!

While there can always be isolated opportunities in respect to single properties, the area as a whole will continue to be undesirable until there is a substantial infusion of money and some redevelopment.

If you are looking to assess the neighbourhood, remember the three questions from the **10 year rule**:

- 1) what was the area like 10 years ago,
- 2) what is the area like now, and
- 3) what will the area be like 10 years from now.

With a bad area (from the perspective of real estate opportunities), you will easily see that the answer to these questions will point you in the direction of spotting the downward trend. So, this is an area to avoid. It's also easy to spot!

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