



# The Australian Finance Podcast Episode Transcript

**Episode:** 10 property tips for home buyers in 2022

**Release Date:** 7/03/2022

**Speakers:** Kate Campbell, Owen Rask, Chris Bates & Emily Wallace

**Duration:** 40:21

## Please read this prior to using this transcript:

*Please note that there **may be human transcription errors** within this document, and we recommend referring back to the original episode for a true depiction of what was communicated in this conversation.*

*The information in this document is **general financial advice only**. That means, the advice does not take into account your objectives, financial situation or needs. Because of that, you should consider if the advice is appropriate to you and your needs, before acting on the information. In addition, you should obtain and read the product disclosure statement (PDS) before making a decision to acquire a financial product. If you don't know what your needs are, you should consult a trusted and licensed financial adviser who can provide you with personal financial product advice. Please read our Terms & Conditions and Financial Services Guide before using this document.*

## Episode transcript:

Owen Rask:

Kate Campbell, it's always a pleasure to have you with me on the Australian Finance Podcast. How you going?

Kate Campbell:

I am very good Owen and it's good to be back talking about everyone's favourite Australian topic.

Owen Rask:

Yes, which is property. So whether you're a new buyer of property, whether you're an investor, whether you're a homeowner, just looking and thinking about interest rates and all these types of things. This is the episode for you. We're bringing to you two experts. So Kate and I are going to take a bit of a backwards step here and just watch owners as these two experts just riff on property. We've asked them to bring five tips to the show today. So we're joined by Chris Bates from Wealthful. Chris, how are you going man?

Chris Bates:

Awesome to be here Owen and Kate. Good to see you both.

Owen Rask:

Likewise. Listeners, you will remember Chris because he's done the property course with us. He's also been on the show quite a few times as his own podcast that he runs and a business mortgage broker from Sydney. Look him up. We're joined by Emily Wallace. Emily, welcome to the show. Your first time with us. Tell us a little bit about yourself.

Emily Wallace:

Yes indeed. Thanks for having me on board. So I'm a Melbourne based buyers advocate helping first and family home buyers into the market. Love all things property. A bit obsessed with it. When I'm not buying property, I'm scrolling other properties on Airbnb.

Owen Rask:

Yep. It's one of those things where people just love to do at Domain and realestate.com.au. Two of the most popular websites in Australia. We have this affinity across the country. So wonderful. Okay. If you want to learn more about what Emily or what Chris do, you can find all the links in the show notes. So those will be there for you and feel free to jump into the Facebook community and have a chat there. Kate, what are we thinking? Maybe we'll go Emily goes, Chris, go type thing?

Kate Campbell:

Yeah, absolutely. I think it's a little bit more interesting for me today than our property episodes in the past because I'm actually contemplating purchasing a property this year although I was thinking the other day that I wish there was a service I could just magically say, "Can you just make a property appear and I just pay the money and you can do all the paperwork and everything." But I do believe that you do have to do a little bit of work even if you use services like Emily and Chris, and you do need to educate yourself a little bit, so I'm looking forward to today's episode.

Owen Rask:

Yes. Why don't we go ladies first? So Emily, what's your number one tip for people that are looking at the property market in 2022?

Emily Wallace:

Definitely. So one of the biggest things we come up against is obviously the barrier to enter into the market being saving a deposit. So one of my tips would be to understand the guarantor loan options. If it's suitable for you, obviously a broker would be able to talk through in more extent as to the suitability and options with that. But a lot of people I'm often baffled by how many people don't understand a guarantor loan and how it actually can be beneficial to fast tracking their property journey. So if you are thinking the clock's ticking in 2022 to get into the market, I would strongly encourage you to educate yourself and understand what a guarantor loan can assist you with.

Owen Rask:

Yeah. Sure. I think Chris being a mortgage broker might be able to lend a bit of advice here or a bit of wisdom. So Chris, what is it?

Chris Bates:

Yeah, thanks. Actually I should put that as one of my tip actually. I'd say it's guarantor loan and Lenders Mortgage Insurance. I'd say they're both tools that you should consider if you're a first home buyer. Sometimes people think I've got to have a 20% deposit and they don't understand how LMI works and how it gets more expensive as a percentage, what you borrow and what it even is. Some people think it's a flat fee or an annual fee, et cetera. So get understanding of LMI, how it works to give you a little quick tip, probably around 88% loan or a 90% loan is what you should really aim for as a minimum. So a 10 or a 12% deposit.

Chris Bates:

But if you're talking Melbourne or Sydney or Brisbane, even after the last 12 months, you're talking a lot of deposit when you add also stamp duty on top. So you could be talking 15 or 17% times the purchase price, a lot of money. 150, 200 grand sort of thing. So Emily absolutely right. I mean, not everyone has got the benefit of having usually parents that are in a financial position to give you a guarantor. They may not own a property or maybe they've got a house and it's got a lot of debt on it or maybe they have. Maybe they've got a home they're not looking to sell or downsize. You haven't got a family of 10 kids. You've only got one brother or sister, and that can be an issue with and multiple kids want to use it at the same time and family Christmas party antics.

Chris Bates:

So there's things that we can really understand guarantors. If your parents are in the position to do it and it's not going to affect them and your brothers and sisters are okay with it, then it can be a huge benefit for you because basically you don't need a deposit. You'd still want to use your money in offset accounts and things like that, but you don't need to find this deposit. You don't need to pay a big Lenders Mortgage Insurance and it doesn't really cost your parents anything ongoing. You pay all the mortgage. The biggest thing, a mistake people make with a guarantor though is they buy a poor quality asset.

Chris Bates:

So they go to mom and dad, "I'm going to use your equity in your place to protect myself and so I don't need to buy Lenders Mortgage Insurance and then they go buy an off the plan apartment, or they go and buy an investment property in a regional town, then just hope for the best. So you've got to buy a quality asset and you've got to think through how to best protect your family. I don't want to go on about this forever, but big caveat with guarantor loans, you've got to take a personal responsibility that your parents are doing you a favour and you've got to try to get rid of it.

Chris Bates:

And so I would say within three to five years, you've got to come to them with a plan prior to asking like, this is how it works. This is the type of quality property I'm going to get, and this is

how I'm going to get rid of it. Do that research first before you have a conversation with your parents about it, because that's what they really care about is you taking action once they help you.

Emily Wallace:

Chris, does it have to be your parents or can Owen guarantee my home loan?

Chris Bates:

Absolutely. If you got an older brother or sister or family or friends could do it. I would say that no 99% of the time it's the parents because a lot of the brothers and sisters either want to use that equity for themselves because they want to upgrade or have investments, et cetera. So parents are usually the ones who do it.

Owen Rask:

Yeah. I think that's a really good point you make there about making sure you go to your parents, assuming it's your parents prepared because they want to know that you have the confidence, that you know what it is, you know how it's going to work and how they're going to get off it because typically parents might want to retire in five years and they might want to liquidate their home or downsize. And they've secured against their property too. So yeah. Great point there. So what was your number one then Chris? That was a great intro from Emily. What would be your number one tip?

Chris Bates:

Look, I would say right now, we've had a big boom in 2021, 2022 there's lots of fear around rising interest rates and the media are going to start playing on this a lot. You've already seen all the banks come out with big forecasts on property price falls. You've had respected commentators like Chris Joye call for big falls. So there's a bit of a media spins gone from boom to bust. And you just got to be really careful that the type of property that you are buying and understanding that it's micromarket. And even though the Australian property market probably does have a lot of headwinds coming up with higher interest rates, that doesn't mean that the type of property that you want and the right type of property for you longer term is going to fall in value.

Chris Bates:

And what downturns have shown us in the past, like 2018, the 2003 cetera is it's actually harder to buy quality assets and good property when markets go down because good property to people don't sell and so liquidity drives up. So don't fall for this big media storm that all properties going to fall by 15%, 20% next year because it actually probably won't happen. You'll find good properties hold their value and poorer properties, things that are compromised will lose a lot more value. And that's if that even happens at all. You could find there's more stimulus and things don't even happen like that. So be careful with the media storm talking about the big market and focus on your micromarket and the type of property you want and understanding the quality of that.

Owen Rask:

I remember during COVID, Chris, I don't know if the media just took this out of context, but the CBA had a forecast of 32% fall in house prices and they basically went exactly in the opposite direction over the next 12 months. So be very careful with that. Kate, Emily's got a tip and I reckon it would help you out right now. Just speaking on your behalf, Emily, what's number two for you?

Emily Wallace:

So we're looking at renting before you buy as a tip two. Be familiar with a new area. So it's not uncommon that you've grown up in a certain area, you've fled the nest from mum and dad or you've gone and rented somewhere with a friend, but now it's time to buy and looking at your budget, what that affords you might be in an area that you've never lived in before. So one of the biggest tips would be renting in the area you tend to purchase in before committing to a purchase. And this largely comes off the back of 2020 and 2021 when so many people made a sea change to an area that they may be visited for a weekend at best. And interesting enough, I think this is a trend to keep an eye out for very much a side note here.

Emily Wallace:

But I suspect that there will be people who haven't adapted to those areas as well as they thought they would, because they were not informed or they hadn't lived there before and we start seeing them flock back from the regions into the city. So renting before you buy in an area is crucial because you've got a well rounded opinion of the area. Also, Facebook groups of areas are really good. I often stalk community Facebook groups to get intel on what's happening in certain streets of a suburb, but really ultimately, if you could afford to rent even a six month lease just to get a feel while you're looking, I think that would be a real advantage to you in making a very informed decision of your new suburb.

Kate Campbell:

Got to make sure there's good coffee shops nearby.

Emily Wallace:

Totally. Number one priority.

Owen Rask:

There you go. [crosstalk 00:10:24].

Chris Bates:

A really good tip there, Emily.

Emily Wallace:

Yes it is.

Chris Bates:

I would say because we always encourage that as well. If you're renting and you are thinking about moving to a new suburb, sometimes buyers think they're going to perfect time their lease finishing with their home purchase and their settlement date and it's all just going to miraculously happen. The reality is what I would probably suggest is break your lease, move to that area ASAP. And when you're looking at this property, just be living in that area and rent something out and go through the move because I'd rather move to a rental and then move back to of the city to another rental, then move there and buy a property, then have to sell a property.

Chris Bates:

And so if you're already in that position where you're looking in areas where you do not live and you can break your lease, break your lease. Take the cost on, get in there and start renting because you don't want to move to the area and then have to sell. Stamp duty selling costs, it might not work very well, et cetera.

Owen Rask:

There you go, Kate. When you move to London, you can go on rent first and then you can buy.

Kate Campbell:

Oh gosh, I don't know if buying in London's possible in one's lifetime anymore, but Chris, what's your second tip?

Chris Bates:

Look, I think you definitely need to think long-term. I think long-term in terms of switching off from the media storm obviously, but also thinking how's your situation going to change long-term? A lot of younger people want to live for the moment maybe, and don't want to say what I'm going to be doing in five years, but I do think forward planning is essential with property decisions. Look, what's the likelihood of you going to live in that city longer term. What's going to happen if you meet someone or you're going to want a family? And see if you can incorporate what you want from a long-term lifestyle point of view and making sure it's a great investment rather than what my needs are today.

Chris Bates:

Even today, we had a client trying to buy one bedroom apartment in east of Sydney. She can afford a two bed. Just by potentially taking a little bit more debt, not too much more and it gives her that scope. If she does meet someone and she does want a kid in a few years time and she's got a perfect place for that rather than a tiny little one bed that should outgrow. So think long-term with all your decisions. And you're thinking through, if I make this move, how am I then going to make that next move? If I buy this investment property, how is that going to stop me upgrading my house or how is that going to stop my renovations?

Chris Bates:

So you've always got to be thinking long-term and try to play the market and et cetera like that because quality assets are unfortunately even harder to buy in down markets, as I said before.

Owen Rask:

Yeah, that's a really good point, Chris. Emily, I had a friend this morning who was talking to me about buying a house and he was saying in the suburb that he was looking and he's been looking for about a year now and he was saying that some of the houses in his area may have fallen from \$50,000. Slightly lower quality, but maybe \$50,000 less than what he thought he would be purchasing six months ago. My point was basically, "Hey, well maybe there's a reason for them selling." This is relating to your third point. I'd love for you to just dive into this.

Emily Wallace:

In terms of if something's cheaper in the market or appearing... Yeah, sure.

Owen Rask:

Yeah, and understanding why they're selling.

Emily Wallace:

Yeah. So I guess, well, one of my key tips is around vendor motivation and that can play into price, but what we're experiencing, and I think this is fair to say across the board is a domino effect of stock holding. So what that means is a lot of people are hesitant to sell their property, because they've got nowhere to go. We've got a stock shortage across the board and therefore a vendor might not want to sell into their found something.

Emily Wallace:

So when we're talking about vendor motivation, we need to understand (a) do they already have somewhere to go and they just need to get X amount and that might be the case of your friend seeing something that is slightly below what they thought they need to pay and maybe the vendor just needs to get out, or is the vendor motivation that we actually need to know our sale price, to know what we can go and buy and along with that, we are going to put a preference on someone who places an offer with 120 day settlement, for example.

Emily Wallace:

So it's interesting when people, it's probably an agent's pet peeve when they go, "Oh, why is the vendor selling? Why are they selling?" It actually doesn't really matter what matters is what will the vendor take as a preference when I put forward my offer or when I put forward my terms. That's a better question, a better quality question to be asking the agent to understand how you can make your offer most attractive to the vendor. You might even find that the vendor's got resistance because they don't want their property sold to a developer. They'd rather it go to a first home buyer.

Emily Wallace:

So putting a letter with your office, explaining who you are and your intentions with the property. We've actually one properties for a lesser purchase price based on of doing that very thing. So understanding the vendors' motivation, not just why are they selling? It's a very basic question. A bit more of understanding of their motivation is a good thing to know as a buyer.

Owen Rask:

Can I just ask one follow up with an example here? Let's say you come across a house that you like, it's a bit old or it's a bit tired, but you've come across the house and you notice that's a bit run down and you think, "Okay, I'm going to ask them why they're selling." And you find out it's a retiree. They own the house and they're moving out. How would that inform someone? Like what would be going through your mind like, oh, so how do I now take that info and then roll that into something?

Emily Wallace:

Definitely. So particularly in that situation, if they're they're downsizing from the family home, it's quite a sentimental property (a) but also their journey to downsizing could be quite a long one. So if I've got that information on hand, there's a couple of things I wanted to be across is (a) what do they intend to move out? Whether that might be prior settlement. If it's run down, can we actually get access to get trades to quote things that we can start getting the process underway to fix it up? (B) would be if they're a bit hesitant to move and they really don't have anywhere to go, would we maybe look at renting the property back to them for a period of time so they're not feeling as pressured to move on whilst also trying to get access for those trades. That's the biggest thing is to get in there and do the quotes.

Emily Wallace:

But certainly if it's been a family home, one that's been in the family for a long time and they're now downsizing, you often find it's a sentimental sale that's quite emotional. And so being aware of that as a buyer and being patient, but also if it's something new intend to restore to it's former glory making that known to the seller.

Kate Campbell:

Yeah. It's probably a very different mindset of the seller if it's someone that's lived in it for 20 years versus someone who's rented it the whole time and never actually lived in it personally. So different emotional attachment during that process.

Emily Wallace:

Very much so. Yeah.

Owen Rask:

Yeah. Wonderful. Chris, what's your number three tip?

Chris Bates:

Awesome. Tip there, Emily. I think a lot of people think it's always down to price, but a lot of the time it is down to terms and the lease back is definitely something and these markets are very appealing to a lot of sellers because they may need that money. They need that need to sell the property. They put that money in the bank account and now they're ready to go and they can rent a place for maybe six or 12 months depending on what you make on the terms. So it's a really good tip. Emily actually stole my thunder. So thanks to that Emily. She mentioned it was



being careful with the regions. I do think this is a bit of a danger zone for a lot of people. There's obviously a lot of hype around the regions and we've had lots of clients move to...

Chris Bates:

There's two types of regions, the sister or brother off the capital city, the ones that are commutable within an hour or two, and people can do it on a weekly basis and then you've got the real pure regions that people aren't able to commute to the city. Both are a bit of a danger. Both of them have gone up a lot and they're driven by two things; one, people moving there from capital cities, but (b) low interest rates. So the internal demand has been pushed up because people are taking on more debt, because rates are all time low, but also demands being pushed up by people moving there.

Chris Bates:

Now, I do think that people are going to keep moving there. I do think like Emily people are going to start moving back but a lot of the affordability segment of the regions is driven by interest rates. And a lot of investors and people are playing in this space and prices have been pushed up a lot really fast, and it wouldn't take much for higher interest rates to really take back a bit of that growth. So if you are playing in the regional areas, you want to be playing in the aspirational part, which is where there's real scarcity, which is where the locals really would love to live and where the people doing well financially would love to live in those regions and they're very small pockets of these regional towns.

Chris Bates:

They're a few streets or right near the water and that's the place people are going to continue to move from the capital city for, because they're like, "I left Sydney, but look what I got for my money." So the aspirational, the higher end of the regions, I'm a bit more confident on, but the affordability part also, because prices are higher. It's now less affordable and so people are less likely to move to the regions. So just got to be really careful with the regions. I think people are just hitting and hoping because they can't afford the capital city and very easily see higher interest rates put pressure on them and then people come back to the city if the return to works aren't as favourable for their roles.

Kate Campbell:

And that's probably where that rent before you buy a tip comes in, because you might realise you really don't like the commute from Bendigo to Melbourne for your two days in the office a week.

Chris Bates:

Absolutely, and that's the thing. If you can rent in these regions first that decrease your personal risk of going there and then having to come back and yeah the financial cost of all that.

Owen Rask:

I think, Kate, we're up to number four. We're getting through this list pretty quick.

Chris Bates:

Yeah, I think so. Emily's fourth suggestion.

Emily Wallace:

So this one's a bit more of a philosophical one around mindset because it's just so interesting, the psychology of not just the buyer themselves, but the people around them when they do go and purchase a property, particularly if maybe they're the first one in their friendship group to go and buy a property, or maybe the first in their family. Like if you know you've got yourself and three siblings and you're the first one to go and make the move, it's interest being an observer of this process and what I often find without even realising it.

Emily Wallace:

Sometimes the people closest to the buyer are deterring them from a purchase. They're quite negative, they're quite picky and you know, "Oh, but it's in your best interest. I'm trying to point out things that you need to know about." Which I believe there is a degree of that and certainly a supporting role mom and dad, or brother, sister, friend, to come along. But I think you also need to be aware that this is a very big step for you to go and purchase a property is a milestone for anybody. And so when there is a milestone or a point of success, it can leave others around you feeling a little bit like they're not there yet and feeling a bit deflated.

Emily Wallace:

So I think the buying mindset is just to be aware of other people and who you actually involve in the buying process. I know there's some buyers that we've worked with, who haven't even told anyone that they're into purchase because they just don't want to be influenced or have anyone in the process be across what they're doing. They just want to be independent and have a professional next to them and just trust in that process. But I think if you are thinking of buying this year or any year, really just be careful of who you involve in that process and how much weight you really do put on their opinions because at the end of the day, you are living in that property, not them. So you need to be happy with it and make sure it's the right one for you.

Kate Campbell:

Property's probably one of those things in Australia where everyone's got their own tips and advice on. So if you tell your friends and family, everyone's going to come flocking with their suggestions for you and they might not always be the right ones or the best ones for you.

Owen Rask:

I could see Chris nodding his head as well.

Chris Bates:

Absolutely. This is one of my biggest pet hates, I guess you'd call it. Family members getting involved and either creating even more anxiety and for you're not successful to your buy property so they can tell their friends and how successful their kids are. I think brothers and sisters putting pressure on their other brothers and sisters to follow them or colleagues or friends, et cetera, giving them tips. A lot of people act as financial advisors for people without any sort of

knowledge or real true knowledge on the... And what worked for them 10, 20 years ago, isn't going to necessarily work for you today and so you got to be really careful.

Chris Bates:

And also, at the moment you got to be careful them talking you out of it. Oh, can't believe be buying a property at the moment. That's just crazy. Prices going to fall. People talk you in and they also talk you out of making a good decision for yourself. So yeah, I think you're right, Emily. We've had clients do the same and I actually think that's a good strategy is to not tell people who you aren't going to really listen to their opinion or you think's an informed opinion because once they say you can't then just be like, well, I'm still going to do it anyway. You know what I mean? But I think that's the good move.

Chris Bates:

If you get the right people around you, you just focus on what's right for you and sometimes that's not buying. It's not always buying. We often tell clients to keep on saving. You know what might maybe get a promotion with work, maybe actually swap jobs, maybe wait for that clarity with that new partner. Are you guys going to make it? Do you guys want to wait three or four months and then go in together? There's lots of reasons why you might want to wait. Maybe you're thinking about a job overseas. Maybe that's going to change everything. So it's not always a case of maybe you should get your money working more than it's in the bank. Focus on what's right for you and your future.

Emily Wallace:

Most definitely. And just invite them around to the housewarming. That's all you need to do. If you don't want their opinion, just send them an invite and they can come to the party and they can be happy for you.

Kate Campbell:

Once it's all signed and done. I think it's up to Chris's fourth tip.

Owen Rask:

Yes indeed.

Chris Bates:

Look, I think it's probably around the risks after booms in prices that they do increase. The chance of fall increases, the chance of a gain decreases. And so we all know how the markets have moved over the last 12, not just the last 12 months, even since the mid 2019 really after the election. So you've got to be careful at the moment because people are getting more picky buyers in terms of what they're willing to compromise on. And they're not got the FOMO they had in the market last year. So they're not willing to pay the same amount of money as they were last year in the height of the boom just to get in for things that are compromised. Okay.

Chris Bates:

So things that are on busy roads, things that are dark, got privacy issues, things that are noisy, things that are surrounded by other houses or development, potential, et cetera. So things that are compromised, they're at high prices because of the FOMO in the market last year and a real danger right now is to potentially look at being opportunist and say, oh, I could get this cheaper than it was last year and not focus on quality because as interest rates increase, there's two things that will happen. People's ability to take on more debt will increase. Borrowing capacities fall and secondly, their willingness to take on debt also decreases because they're going, "I'm going to have to pay more for the mortgage."

Chris Bates:

And so they're going to become even less, more picky and less desire to take on big debts for compromised assets. Whereas if a property ticks all the boxes, it's on a great street, it's got great aspect. It's a great place to live long term. (A) there's very few of those because stocks are always really low of those properties and (B) people are like, "Well, I'm willing to take on this debt even though interest rates are 3% or even though the interest rates are 4% because I need a family home and I want to live there longterm, et cetera."

Chris Bates:

So you've got to stick to quality right now just after booms, because if there is a tightening or a global credit crisis or something like that, the compromised properties get smashed. This is what we saw in the 2018 downturn is they might fault a lot more than the quality assets. So the other question we get at the moment is, "Oh, I can't buy that because that's what went up a lot last year. So I'm not going to buy a quality asset I'm going to... Because they went up so much last year." Well, that's actually the definition of why you should be buying those assets because they're the things that will hold their value long term because their quality and will actually go up the most.

Chris Bates:

So don't go. I can't buy the quality because they're up too expensive. Actually, no. The solution isn't going buying a cheap poor asset. The solution's getting a better quality asset, but maybe you have to shift suburbs now because prices went up.

Owen Rask:

Yeah, I think that's a really, really good one. I think it relates perfectly to Emily's fifth and final point. I'll hand it over to you, Emily, and then I'm sure we'll have a few comments on this.

Emily Wallace:

Yeah, certainly. So the fifth one is around if it seems cheap, there's probably a reason for it and it's not so much just, oh it's on a main road like you wouldn't buy on a main road or blanket ruling these things. It's more around understanding things on a macro level and also micro. So macro would be things such as council planning. It would be any permits that have been issued within the street for construction. It would be larger scale planning that may impact that property. As Australia grows and population grows, there's a lot of areas that are now being targeted for new freeways or tunnels or infrastructure that will actually impact that property down the track.

Emily Wallace:

So I think understanding that element and then on a micro level, the property itself is it structurally sound? Is it fundamentally functional? Are there aspects that would be better in another suburb if you spent the same amount of money for a different property, but probably the biggest one around if it's too cheap, it probably is the notion of underquoting. Now I know every state has different laws and rules around how they stipulate the indicative price of a property, but certainly in Victoria, the quote ranges are very transparent. Often when you look at them or certainly from my point of view, I can look at them and go, that's an under quote.

Emily Wallace:

The reason you would know that is if you are in the market constantly and have seen comparable properties and you've done your research. So if you're a buyer out there this year, and you're wondering like, is that too cheap for a reason or is it an under quote? I would first and foremost do your research on comparable sales in the area sold in the last three months to see if the numbers stack up on a land accommodation and location perspective. If it looks like it's drastically cheaper than everything else, then I would go into investigating a little bit more as to why that might be the case and just be frankly with the agent. Why is it quoted this way? I saw property X, Y, Z sold three weeks ago 200,000 more than this and it's a similar property. Why is that? Don't necessarily trust everything they say, but certainly query them if you've got evidence to suggest that it is lightly quoted.

Kate Campbell:

I can see the benefit of doing that research and asking those questions because if you keep looking at the quote and then the properties keep selling for much more than the quote, I feel like that would be really disheartening to see throughout your property buying journey.

Emily Wallace:

Yeah. A very common one, the feeling of being disheartened through the process. So that's also being around realistic which is a good exercise to do regardless of a particular property is to do your research as to what you can actually afford because indicative selling price versus actual sale price are two very, very different figures.

Kate Campbell:

So on your real estate app, would you just go through recent sales rather than things for sale?

Emily Wallace:

Yeah, correct. So you just go to the sell tab on realestate.com or Domain and just sort it in sold by date, because sometimes they do by relevance, which is actually, you can blow out to three years. Yeah. Most recently sold and scroll through them and have a look at the floor plans, the condition and the actual location. Ideally, no more than a one K radius of the property or area in question for you and start to ascertain is this actually achievable for me?

Owen Rask:

That's a good strategy. Chris, we've got number five from you mate to round out our 10 for today. What have you got for us?

Chris Bates:

So I think when times of uncertainty, this is when buffers come in and so what you really need to do is focusing on how you structure everything in your life, insurance, all different things, but around your property decisions. It buffers buying quality, but also structuring your loans the right way. So understanding your guarantor loans, which we spoke about, understanding how LMI can actually give you a buffer and yes, there's the cost for it, but you get the benefit of a buffer. Making sure that you're building money in offset accounts, not just paying down your loans. Maybe you're using interest only if you've got investment properties.

Chris Bates:

You've got to really focus on extending your loan term to 30 years rather than 25 year will reduce your repayments and give you a bigger buffer. Look at saving hard to give you those. So it's just all about really focusing on, if something had to my financial situation, I'm going to be better protected. And so I do think it's a time to be putting those in place now then if for example, there is something going on in the world and you're sometimes too late. You can't refinance, you lose your job or property prices do fall for your property and you can't refinance or et cetera.

Chris Bates:

So buffers are so important, especially after your first property, because what happens is people go from feeling very cash rich, they've worked hard, they've got that savings there and then they go to sometimes very little in the savings account after, and that is what I call the danger zone. And that is absolutely not a time to go out party in your new place, maybe soft drinks at the house party. You might you not even have a house party. I said that before so it didn't sound very good, but you know what I mean? Keep it quite simple in that first six to 12 months after you purchase your place. Get that buffer up and then relax.

Chris Bates:

If you buy a building and a roof needs repair, things like that can really stress you out if you haven't got that buffer, even in apartment blocks you can get strata, levies, increase and all sorts of things. So buffers are so important. I spend a lot of my time trying to educate people on how to build them and don't be afraid to use them. That's what they're for is to protect you in downturns. A lot of people think, "Oh, I can't do that. I'm just going to be stressing about it." Well, no, that gets you through that moment. That's what it was for. So bill buffers.

Owen Rask:

Chris, can I just follow up with one point, which I know it would be like remiss if I didn't ask it, which is the people that are coming to you now, existing clients for Wealthful, are you recommending that they lock in rates or are they getting fixed rates through you or what is your current kind of feel of things?

Chris Bates:

So it is a bit of a pendulum that you sometimes it's just stay variable. The fixed rates are so unattractive. Let's just go variable and a lot of the time that's the starting point is over the longer-term, it's proven that a variable rates will beat fixed rates over the last three years, probably. Fixed rates have just been so attractive compared to the variable rate, because they've been under the variable rate and sub 2%. At the moment, fixed rates have jumped so much and they're continuing to jump every day almost. We got a new bank saying they're increasing fixed rates. At the moment, there's still a few banks where you can still get great two years and three year fixed rates, but it's a few not most and you can get great variable rates in low two percents.

Chris Bates:

And so at the moment, it really depends on your situation, your buffers and how protected you need to be. Because sometimes there's a cost of potentially going fixed that if variable rates don't rise as much as society thinks. And society's been wrong for over a decade, to be honest. And so if variable rates stay low for the next three or four years, which is a chance and you could have fixed at a higher rate and paid a higher cost. And so sometimes you should never always fix all your loan as well. You don't have to have 100% fixed or 100% variable. You always split. So you may go 50% fixed, 50% variable or 70 fixed 30% variables. So a lot of people don't understand that as well.

Owen Rask:

Yeah. It's also a really good point with offset accounts the like. So yeah, it's a great conversation to have with your mortgage broker. If you haven't already in 2022 or late 2021, just give them a call and see what they say. Emily, I might just ask one more question for you. Where have you buying houses recently? For listeners sake, where is your bread and butter suburbs or areas for clients?

Emily Wallace:

Yeah, for sure. So in Melbourne we are down the Bayside corridor. So pretty much Port Melbourne, all the way down to about Mordialloc. And then in the inner Southeast pocket, we have a lot of young professionals who commute to the city for work, and then a quadrant out in the north. So Northcote to Reservoir and then out towards the Glenroy angle as well. So it is a fair bit of ground when you think about it, but the team and I, we love working with the first home buyer market and that's where a lot of those first homes do fall in those sort of price brackets. So yeah, we spend a lot of time on the road, but we certainly enjoy it.

Owen Rask:

Yeah. Yeah. Wonderful. By the way, we've got all the links in the show notes. So if anyone wants to follow up with Emily or Chris, please do so. Kate, this is a revelation. You sound like you're going to buy a house in 2022. Have you got any questions for Emily or Chris before we let them go because this is your time.

Kate Campbell:

I guess just how much work should you probably put in beforehand? When should I start? How much should I do? How certain do I need to be?

Chris Bates:

I'm a big believer and I said this to a young client of mine, she's buying her first place yesterday and she's exhausted because a lot of buyers are. They've been trying and they've been frustrated and there's low stock what Emily was talking about before, but it should be hard and miraculously this perfect property could come on and it's a quality asset and you could get the deal done, but that's unlikely. You're more likely to be missing out strolling saying no to 90% of the properties. But the thing is, once it's done, it's done.

Chris Bates:

So it's hard to buy, it's easy to sell because when you get a quality asset, you're getting letter box drops after about a week from other agents saying, hang on a sec, do you want to sell? Do you want to sell? Do you want to market appraisal? Because they know that your property ever comes online, it's easy to sell so hard to buy, easy to sell. And if something is easy to buy, like Emily says it's cheap, it will be potentially be hard to sell because the reason it's cheap is the person's struggling to sell it. So they're feeling the pain in the future. You should feel the pain at the start.

Chris Bates:

And so you're doing all the right things, obviously educating yourself on all these things, but it's hard to buy. It's not going to be an enjoyable experience. Yes. You can get help with people like Emily and local specialists, buyers, agents, the massive fans of and they will do it, but it's not like their job's easy. They're doing a lot of the hard yards for you. And so it's a painful experience, but the rewards come many years down the line by actually all that effort.

Kate Campbell:

Delayed gratification here, it sounds like.

Chris Bates:

Yeah.

Emily Wallace:

Very so it's yeah. A lot of buyers do feel deflated in the process or yeah, frustrated and there's a lot of hours that go into it, but there needs to be because at the end of the day, it's your home. So yes, there's resources to have assistance such as a buyer's advocate, but there's only so much they can decide for you I guess. So the element of the research phase and the inspecting phase and that sort of process has to be done by the buyer. And so even just getting a feel for it as you're starting to think about buying a property and refining down your suburbs and refining down the property type is always good. And probably the more refined, the better in some cases. Yes, there'll be a few options to choose from, but when it comes up you know that that's what you've been looking for and it's actually easier to take action on it than wondering if there's something better out there for you.



Chris Bates:

Absolutely. I mean, it's all those reference points in your mind that give you the confidence to go for it because what happens is you've been looking, everyone's nervous to taking on a big debt and buying a property. It's a big financial decision and then even when the right property hits them in the face, they sometimes don't snap it up because they haven't got that confidence. They haven't got all those reference points. They haven't seen a lot of enough properties, et cetera. So you do need to get educated because when that time is to make offers and go unconditional and to really put your foot down. If you don't at that point, that property goes and then you back to square one looking again. And so yeah, educating yourself, getting on the ground, looking at lots of properties, always a good idea.

Kate Campbell:

Some great suggestions. Thanks both of you.

Owen Rask:

Yeah. It's always very, very fortunate Kate, you and I, we get to speak to the experts like this. So once again, if you're interested, you can hear more from Chris at Wealthful and Emily, it's [emilywallace.com.au](http://emilywallace.com.au) If I'm not mistaken and also available on Instagram. So Kate you've got plenty to go on. This is going to be one of our most popular episodes I think from a couple years ago was the first home buy journey that I went on. Maybe yours is going to come up soon. So as always Kate, thanks for joining me. Thanks Chris and thanks Emily.

Emily Wallace:

Thank you.

Chris Bates:

Awesome guys. Thanks.