The Australian Finance Podcast Episode Transcript

Episode: 10 expert tips for first home buyers in 2021
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Speakers: Owen Raszkiewicz, Kate Campbell, Chris Bates & Amy Lunardi
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Episode transcript:

Owen:
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Kate:
It's good to be back, Owen.

Owen:
We have two fantastic guests with us, experts. One is a veteran of the Australian Finance Podcast, the other is new to us. We have Amy Lunardi from amylunardi.com.au. You can find out more about Amy if you listen to our recent podcast. She's also got a podcast of her own. She's a buyers advocate, and she's helped us with our recent course. Amy, welcome back to the show.

Amy:
Oh, so good to be back. I've missed you guys. It hasn't been that long.

Owen:
It's like it's been forever. We've got a lot to catch up on and maybe we can do that in a future episode. But I'll welcome our other guest who is Chris Bates. Chris comes from Wealthful in Sydney. He's a mortgage broker. Chris, welcome to the Australian Finance Podcast.

Chris:
Thank you so much, Owen and Kate. Hi, Amy.

Owen:
Chris, if I'm not mistaken, we're recording this early 2021, Your firm, Wealthful, just won an award or was voted in the very high ranks of the Australian mortgage broking industry, is that right?

Chris:
Yep. We had a pretty big 2020 year in growth and 2021 similar. And every year the mortgage brokers apply for this top 100 award and we came ninth in the country, which it's based on basically how much loans you wrote as a volume. It doesn't maintain clearly the best broker, but it's just that one metric, it mainly ranks you. So we're very happy as a team how many people we helped ultimately. Because by doing a lot of loans, that means there's a lot of customers and clients that have gone through a journey with us and a lot of them have purchased their first home or upgraded or done renovation. So, that for us is a huge great to receive because it just shows the impact we're making.

Owen:
Yeah. Totally. And Sarah and I, my wife and I, and we can be counted as two of your customers in 2020. And we're thrilled with that, so thanks to you and Ben and the team for helping us out there. So today, for those who don't know, Kate and I have been working with Chris and Amy, and Chris and Amy have done the gruntwork here. They've helped us put together a property 101 course on Rask Education. Totally free course, now available, takes you through pretty much everything you want to know or the essentials for buying your first home. So it's fantastic, I learned so much just going over the material. And we've been doing this for probably six to 12 months in terms of organising it, shooting it, getting it all edited and up on the site.

Owen:
And then it's a free course and it gives you insights into how Chris and Amy think about property, and in particular, how it works for people that are new to the property market and what you really need to understand. If you asked me, this is the type of course that if you don't make money from it, so if you don't take away actionable ideas, at least you're probably save tens of thousands of dollars, just from the advice you're going to get from the course. So things like when you're doing your inspection, what are you looking for? Or, if you're searching for a home,

what are you looking for? If you're trying to get finance, what's the best way to do that? What should you be paying attention to?

Owen:
So we're thrilled to be able to work with these two guys. And what we're going to do today, to give you an introduction to Chris and Amy, Kate and I are going to ask them for their top five tips or suggestions or ideas for first-time buyers in 2021. Kate, maybe we'll go, I go, you go, in terms of questions. And we'll go down the list of the five things that Chris and Amy have got for us. So why don't we go with you Kate, is there anything that you want to add maybe before we get to those points?

Kate:
Yeah. I just want to say it's really exciting to have this course available now, because I know a lot of people in our community are really interested in buying their first home, especially after the events of the last year, maybe thinking about going more regionally in Australia. So as Owen and I are both in the investing in shares and ETFs frame of mind, it's really cool to get some experts in to talk about properties. So, I'm really excited that this course is now available. And I guess I'll kick it off with Amy for her first tip for first home buyers in 2021,

Amy:
My first tip, and this is something that I always put a lot of effort into when I'm starting to work with clients, is putting a brief together. So when you're a first-time buyer, when you're buying any property, your brief consists of three things. The first thing is your budget, and that's generally fixed. It'd to be great to have more money if you could, but you've generally got a limit with your borrowing capacity. And then you've got your upper limit, which you'd spend on the perfect property and your goal limit. The next part of your brief is your location, so what are your dream suburbs and what are your maybe suburbs. And then the third part is the property characteristics, so what does that property look like? Is it three bedrooms? Is it a house or a townhouse? How far away from the train station is it?

Amy:
And that's all well and good for you to put your wishlist together. But the most important thing to do here is to make sure that you could actually achieve that brief for your budget at that point in time. And this is a step that I see home buyers kind of not do. And that's because they don't realise it's actually fairly easy to do by just jumping in the Sold section. So you jump on realestate.com.au or domain, you go in the Sold section and you have a look at what's been selling. So you have to go through, maybe I'd say around six to 12 months of sales and say, "All right, well, how often does a property sell, which ticks all of my non-negotiables boxes and sells for within my budget?" If you can't find many, it's because it probably doesn't exist and your brief is unachievable.

Amy:
So you might then have a play around with changing maybe some of your location metrics or your property characteristics until you say, "All right, what I want does exist, it's selling for within

my budget. And I think that I can achieve this." And just bear in mind, if you're in a rising market, the further back in time you go, sometimes the more you need to reduce that price filter. So just spend a lot of time doing this. Don't get out there at the start and then feel disheartened because what you want you can't find or constantly selling over your budget. The more effort you put into doing this homework at the beginning, the more realistic you'll be. And then you can hit the ground running at the start.

Kate:
I think that's a great one because you've really need to make sure your expectations and reality are aligning. Because otherwise it could be a pretty fruitless search and you could end up just being really unhappy and not actually finding what you want. So I think that's a really good tip to start with.

Owen:
Yeah. Amy, I really liked that. And when we looked at the video that you put together and the instructions that you put together for the course, I was thinking back to how I did it. And Sarah and I sat down and we literally, on a piece of paper, drew ourselves in the middle of little stick figures. And then around the outside, did the five things that are important to us.

Amy:
I love that.

Owen:
Like I tried to draw a train, I tried to draw all these little things that are really important and there was no structure to it. So putting together a brief sounds like just a great way to do things. Chris, what's your first tip for listeners mate?

Chris:
I absolutely love that, Amy. I think we definitely see that with clients that don't do that, get out in the market and are looking for a needle in the haystack and months can go by and times can be quite costly, just chasing the market and swapping suburbs, etc. So you definitely need that real strong brief. And before you even go out and buy, you know what's achievable. In the same breath, my first tip is quite similar. A lot of you go to mortgage brokers or you speak to family, and it's all about just getting on the ladder and just getting a property. But I feel the complete opposite. The first one is actually the most important property decision. If you get into the retiree stage and you buy a property, well, you've probably got lots of other assets and it's not going to make a huge dent in your longer term future. But for your first property, you're putting every single dollar in, you're borrowing a lot of money and how that property performs over that first five years, it'll give you options down the line.

Chris:
So if you don't buy a great asset as your first property, it has this sort of knock on effect and compounding effect. It takes you on this different train for the rest of your life, and that's not being probably too harsh. So, I think with the first property, you've really got to focus on the

investment quality of what you're buying. And you have to take it on the chin and say, "Look, maybe it's not ultimately what's going to be the best lifestyle benefit for me." Yes, it's still good, you want to be able to live there and things like that, but you have to focus on the investment quality and you have to educate yourself on what that is. So, just for your first one and ideally, through the rest of your life, but really focus on the investment quality because then you get more options in the future. And then ultimately you'll get the properties that you get all your the lifestyle benefits down the line.

Owen:
I hear that Chris. In the podcast that you co-host, The Elephant in the Room, deals with this at great length. So if you don't know what Chris or Amy mean by investment grade or investment quality, high quality, etc, you can go and listen to The Elephant in the Room Podcast. Wonderful advice, Chris. Kate, over to you.

Kate:
Yeah. So I guess, just one more question for you, Chris. I think a lot of young people think first home, they just want to get in as quickly as possible. They'll get a tiny one bedroom apartment, one bath, maybe a car space in a massive apartment building. What is your thoughts when someone comes to you with that in mind?

Chris:
So we're not a fan of those things that aren't scarce, basically. Apartments generally, that they can build lots of them in spaces where they're building lots of them, aren't scarce. And especially when they've got compromised, like you said there, they're about parking, or it's a studio, or it's a one bed, or it's dark. And a lot of people are looking for that bargain, I just want to tick these off my list here, my goal of 2021 is to buy a property. And it's just about buying a property, not a quality property. So, a lot of the time, it's about reframing what are they trying to achieve, ultimately longer term and then educating on what's going to happen when they buy that property in terms of growth. And then what's going to be the challenge when they try to sell that property in the future, and how that's potentially going to perform based on what's happened to similar properties longer term.

Chris:
So I guess, my second tip is probably in that same vein, sorry to switch back to me, Amy. But is to don't fall for that FOMO that's in the market that society perpetuates in the media. Now early 2021 now, but they've really ramping that up at the moment. And for a lot of clients, I say, "Look, let's get some clarity on where you're going to go with work or family. Or maybe you've just started dating someone, what's going to happen there? Is there a pay rise or can you save more?" I'd much rather than wait and get a quality asset, than just getting into the market, so they can say they've got an investment property or getting their family off the back. Because ultimately, then they'll get the rewards of what they're trying to achieve

Owen:

And for such an important asset. It's not just, when we talk about shares, Kate and I on the show are saying, "You can put $2,000 in this if you're not completely convinced. But well, this thing might be half a million dollars, a million dollars, whatever it might be, avoiding FOMO is probably paramount." So that's fantastic tip. How about you, Amy? What would be your number two?

Amy:
My number two is around off markets and pre-market sales. And for anyone who doesn't know what that means, an off market or pre-market is a property that's not on the internet. Off market is something that's never going to go on the internet whilst pre-market is something which is going to go online at some point in time, maybe in a couple of days or a couple of weeks. And unless you're getting access to these types of properties, it's like going into the supermarket and only being allowed in half of the shop. You don't know what else is out there. And the only way to get access to these types of properties is through the local real estate agents. But you have to actually be really proactive about this. You can't just have a chat to them at one point in time and then a month later expect them to remember you. You need to be constantly and consistently speaking to them to get access to these properties.

Amy:
But also, if you've done that property brief, like we talked about just before, you can be really clear with them about what you want, and they also know that you're being realistic because you've done that reality check. And just to give context, last year, I bought 60% plus of my client's properties off market. Now that is way more than normal. And that was because of COVID and there was a lot of nervous vendors who didn't want to commit to marketing and going online. But my longterm average is about one in three. That's a very, very high proportion of properties that you could be missing out on if you're not actually getting access to them. And they can be fickle, they can be vendors that are really unmotivated with off markets, or maybe they want way too much money. So take it with a grain of salt, but just understand that there are thousands out there at any point in time.

Owen:
Yeah. I've got to say that's really caught me off-guard. 60% last year in 2020, that's a huge number. And I feel like one of the things for me as an investor in shares is I look for opportunities in places that other people can't see or at least, the majority of people can't see. And that because I believe that information asymmetry gives you an advantage over other people and other investors or in this case, home buyers. So I think that's a fantastic tip there, Amy-

Amy:
So I like to compare it to the dark web in that you don't know what's in there. You don't know what's accessible unless you actually get given an address. And even if you ultimately end up buying a property that's on the internet, at least you know that you've canvassed all of those other ones, you've got context and you know that you're making the right decision because you

know what else is out there. So it just gives you that little bit more confidence in your decision-making when the time comes.

Owen:
Kate, over the you.

Kate:
Oh, well, are we back to Amy's third one? I think we skipped a bit so...

Chris:
I'd love to just throw one point in there as well with Amy there. Something is got off market, which is generally that it's not going to go on to Domain or Real Estate, but you have got the pre-market where the agent is going to list it in a couple of weeks. But to get market feedback and potentially get a quick sale, they may list a pre-market and get some buyers through. That's a really key advantage if you're getting access to the property before the rest of the market sees it, because you've got a relationship with an agent. Because if that is the right property for you, you may be the only buyer on it that's ready to go. And lots of clients have bought in that pre-market phase where it was going to go to market, but they've got a great offer and there was no need to list it because the vendor got what they wanted. So you definitely need to be open to this.

Chris:
One thing I do like to do in Sydney, in New South Wales is to look at things that are selling off market, if the value of general releases or the sales in a suburb. And you can go through the list in suburb and go, "Well, that was never on Domain, that was never on Real Estate." And so you can actually say the properties are selling without no one knowing about it because all the sales are on there.

Owen:
Chris, why don't we jump to your number three then? This is an interesting one and one that I've changed my opinion on over the years.

Chris:
Is this the LMI as your friend or?

Owen:
That's the one, mate.

Chris:
Yeah. So I wasn't sure if you're getting the other ones. So LMI it's like a bit of a myth and it's often confused. There's lots of articles on the internet, you must have a 20% deposit, you don't want to pay lenders mortgage insurance, it's really expensive, etc. But a lot of people don't really understand how it works and how much is it compared to their situation and what they're going to purchase at. The other thing is that LMI gets gradually more expensive. It's like an

exponential curve. And at 88%, so a 12% deposit, is not too bad ultimately if it saves you having to save another 8% deposit, which could be another 40 grand on $500,000 purchase or something, which could take you another one or two years to save that money.

Chris:
So, if you have to pay an LMI that isn't that expensive at 88%, to save you waiting one or two years to enter the market, I actually think that's a pretty good bet. LMI is still quite affordable at 90%, but I can't even remember the last time we did a loan over 90%. So, we always aim to get at least a 10% deposit plus 5% for stamp duty. That's around 15%. But if you can get to that sort of 12% deposit, so 70%, you don't need to save to a 20% deposit. Good thing to remember as well, LMI is actually tax deductible over five years if you buy an investment property as well. So if your first property is an investment property, it's even potentially more reason not to save to that 20% deposit on top of potential higher tax loans as well deductible limits.

Chris:
So, don't be afraid of LMI. Try not to pay more than 90% loans. We just don't like them, we just think LMI too expensive. But once you get to that 15 to 70% deposit, really question whether you should just pay LMI, rather than trying to save more money.

Kate:
I remember at the very start of 2019, when we launched the podcast, Owen was vehemently against paying LMI. I think he changed his position a little bit last year. I'm not sure.

Owen:
Yeah, I did. I did because I always thought that it was the most expensive thing you don't have to pay. And then I was like, "Well, actually should what we're telling people, should we be telling them to buy assets and to buy things that actually go up in price?" And I'm not saying that's very simplistic, but the messaging there was like, "If you can avoid it, avoid it." But at the same time, to Chris's point, and I've been speaking with a lot of property investors over the last few years who really disagree with my stance or did, have said actually it's not the worst thing in the world. You shouldn't make it out to be the worst thing in the world.

Owen:
And I think my stance on this definitely softened. And I didn't know that Chris, that it was tax deductible. Because I don't have an investment property, that's a really interesting thing. So, did you say that that would come so you would be able to deduct that over time? So five years or something like that.

Chris:
Yeah, it's a borrowing cost so you have to deduct it over five years. So let's say it was 10 grand over five years, it's two grand a year. So your net cost on that is probably like six grand rather than 10 grand. So the other thing where we sometimes recommend it even if clients have got the 20% deposit, is if they're thinking about doing a renovation on the property, because they might keep 8% back, which is enough to keep them buffers. And that's the other reason why

you might want to do it. Like do you really want to purchase your first home and have nothing left in the bank and be stressed in case things change with... A lot of first-time buyers are getting to that family formation phase as well and incomes are going to change.

Chris:
And so just paying these lenders mortgage insurance that gets added on top of your loan, you haven't got to find that money, is sometimes a really good thing just to protect you. Ultimately, you want to get through that danger zone where income and you haven't got much savings. So, don't be apprehensive of paying LMI, especially if you're getting a good asset and you're getting into the market earlier, than if you had to wait one or two years down the line for example.

Amy:
Yeah. If you're in a flat or if you're in a decreasing market, your opportunity cost is less than if you're in a rising market. Because your cost of catching up with that market is likely going to be higher than LMI. And a lot of people don't realise that LMI can often be added onto the loan. So it's not a big bulk upfront cost. So it will cost you more in interest over time, it'll cost you a little bit more in repayments. But look, Chris, you'll hate this, I got a 97% loan for my second property.

Chris:
Yeah.

Amy:
But that was because it fit in line with my strategy, and I was on quite an aggressive portfolio of building journey at the time. So, I actually very much support LMI, perhaps not that high, but it allowed me to get into the market at the right time.

Owen:
Yeah. When I was talking with Kate, Amy and I had a conversation, listeners may remember, when we first bought our house, and Chris helps us with that, the feedback that I got at the time, and this is from Chris and his team, was you can just get an offset account that attaches to your loan, so you can either choose to take a higher loan and keep that money in the bank. And I'm glad we did, Chris, because we used that money to improve the value of the house. And to be honest, it is shack in the hills, so it did need a bit of TLC. So I'm so grateful for the advice. And I think that's probably, again, part of me just coming to the realisation that things like LMI can help.

Chris:
Yeah. And just the final thing there is that you can potentially reuse LMI, which is another thing that people don't know. So, Owen, in that for example, you could potentially, after you've added value, then go back and redraw and actually reuse that LMI and borrow more than 80%, which a lot of people don't know. So, LMI has got a really bad rap, but once you understand how the mechanics of it work, and that does cost different amounts of different banks. And so when you are paying LMI, when you're looking at the cost of your loan, you need to compare that not just

with your interest rates. So my interest rate is X, but it might be a higher rate, but my LMI is cheaper. So let's go with then, even though it's a higher rate. So that's just another thing people don't get caught out on.

Kate:
Awesome. I think we should probably jump to Amy's third tip now.

Owen:
Good one.

Amy:
So my next tip, this is more of a practical tip. So if you're already in the market and you're going to properties and you're putting offers in, sometimes you might find yourself in an offer situation which is called a closed envelope or a best and highest situation. And this can happen with private sales and off markets, but it can sometimes happen when someone triggers an offer prior to auction, and the agent would rather do a best in highest than do more of a transparent method. So what this means is that each buyer gets to put in one offer, sometimes they'll have a second chance, sometimes they won't. But the offers aren't disclosed to anyone else. So you don't know if you've put in $1000 more than someone else or $100,000 more.

Amy:
And it can be a really, really, really stressful situation because it's just not transparent. So buyers feel really uncomfortable. And what I often see in these situations is they really start to doubt themselves because they don't know where the other buyers are at. So in these situations, my best advice here is to come back to your own numbers. So when I'm helping clients formulate an offer, I help them figure out how much that property is worth based on historical sales, how much it's probably going to get to based on the current market. So that is what the demand is like, the other properties that are competing against it, but then also what it's worth to that client. And that could be higher or lower than the market value, depending on how many boxes it takes to how long they've been looking and so forth.

Amy:
And then we figure out what our personal value number is. And that's what we stick to. So, regardless of what the other buyers do, that's outside of our control. Whether we pay 10 grand more or $500 more than someone else, becomes irrelevant because it's what we value that property at. Now, the second part of this tip is also understanding how to frame your offer in the best way possible and that is, having as minimal conditions as you can. Because if there's other offers that are unconditional and you want to be competing against them, so you might choose to do your building inspection upfront, for example, than be subject to a building inspection. And also speak to your bank or broker about whether you can be unconditional with finance or not. If you've got a fully assessed pre-approval and a healthy LVR, then sometimes you might be able to be unconditional. And it'll frame your offer as much more competitive.

Owen:

I often come across these Amy, and I think to myself, that is pretty scary for the buyer because that is firmly in the the agent and vendors' hands. If you don't know how to value a house, you're kind of just taking a stab in the dark and you're hoping that maybe they accept it, maybe they give you a second chance. Is it enough, is it too high? It's very hard to know unless you actually do the evaluation, right?

Amy:
It's so hard. It's really hard. And also what I find is that people don't ask the agents the right questions. So you really have to ask things like, what's the timing going to be? If you get an acceptable offer, how long am I going to have? Is it going to be 24 hours? A couple of days? They might sometimes say, "Well, if we get an acceptable offer, we're not calling anyone else back." That's horrifying. So you need to ask them what the timing is. And then you need to say to them, "All right, is everyone just getting one shot? Is the first person getting the last shot?" That sometimes happens. Or if you have a couple of offers in that all really similar, how are you going to deal with that? Unless you ask those questions at the start, you're not going to know how to frame your offer and how quick you need to move.

Kate:
Yeah. So it's really about asking the agent all those questions so you can put in the best offer possible for that situation.

Amy:
100%. Absolutely.

Owen:
So, Chris, I think we're at your number four here, mate. What is your fourth tip for our listeners?

Chris:
I was going to say I got a so many different tips, but I thought about this one this morning. I think the biggest mistake I see first-time buyers make, which is ideally a tip in the opposite way, is to really don't fall for the government incentives. Once you understand the how the property market works, it's really a construction industry that builds all the new staff and then you've got an established property market. And the construction industry is supported by a lot of government incentives, First Home Buyer Grants, Stamp Duty Savings, etc, HomeBuilder. Ultimately those properties, the vast, vast majority of them are in areas where there's high supply and continued supply hitting the affordability market. And so a lot of first-time buyers fall for those incentives because they're very much targeted at first-time buyers.

Chris:
And then there's a huge opportunity costs down the line for them where they go, "Oh, if I didn't buy that and I maybe saved a little bit more and I bought a better asset, this is where I would be in five years time rather than where I am today." And I think a lot of first-time buyers just don't know that, they think that new is better than old. And so once you understand property, you understand that the land is what goes up in value, not the building in most cases. And a lot of

the new house on land packages, most of your money is going into a new building and land that's just not that valuable because it's just not that scarce. So be very careful with the first-time government incentives.

Chris:
There is a really good one, for example, in New South Wales at the moment. So if you buy an established property under 650, there's no stamp duty. So that's a great one to take advantage of, but all the ones that are encouraging you to buy a new property, try to avoid those because a huge opportunity cost down the line.

Kate:
I think Chris, I was speaking to your podcast co-host, Veronica, last year, and she was saying that so many of those incentives are not actually for first home buyers, that at the end of the day, they're for the economy and the building industry. So don't think they're a gift for you.

Chris:
Yeah. Exactly. Right. Yeah.

Owen:
It's all just one big Ponzi scheme, if you're asking me. I'm just kidding. No, it's wise advice. If you're not going to do something, in any case, just be mindful of why you're making that decision in the first place. And maybe by basic first principles here like why are we buying the house? Are we feeling that we're missing out or something like that? Amy, are we up to your number four and number five?

Amy:
We're up to number four.

Owen:
Okay. It'd better be good.

Amy:
This is another practical tip that I've got for buyers who are out there and they're in the market and they're starting to do their due diligence, so that is researching the property and area to make sure it's suitable and there's no issues with it. And my recommendation here is there's free and really easy stuff that you can do before you even get your contract reviewed and your building inspection, because those things can cost you money. And what I'm referring to here is, looking into the local council and what's happening in the vicinity, what are the zoning and overlays on my property? Because, perhaps there could be a deal breaker there that you're not sure about. Now there's some tools on the internet, you can go to the local council planning scheme if you can figure out how to do that, otherwise you can call your local council and you can ask what the zoning and overlay are on that property.

Amy:

Now, some examples of deal breaker overlays could be something like a flooding overlay, or you might be in a high bushfire prone area, or maybe it's a vegetation overlay and that means you can't remove those big gum trees in the back, so you can't do the extension that you want to do. So better to find that out at the start rather than later on. You can also speak to the council about any local developments that are happening in the vicinity of your property. So what I'm referring to here is mainly the properties that are directly either side of you, over the road and behind you. Because, if there's a big apartment complex going up or even some townhouses, you want to know about that, or potentially a big apartment block at the end of the street. And if that's going to impact your amenity or if you just don't want to be near a construction site, you can factor that in.

Amy:
And then another free and easy thing for you to do from the couch or sitting at home is if you're buying within a strata block or a body corporate, you can get a copy of the minutes, get a copy of the body corporate certificate, read through it all. And then call the body corporate and have a chat to them, clarify any questions you've got from the minutes. If they've mentioned they're getting quotes to do some roof repairs, but there's no mention of the quotes in there, call them and say, "Well, have you got these yet? How much are they? When are you planning on doing this?"

Amy:
They're not always going to speak to you. I find some body corporate managers are a little bit more challenging and they'll say, "No, we can't speak to you because of privacy." In which case, email your questions to the agent and get the agent to get the answers on your behalf. Don't just say, "This is too hard." Or don't do this extra bit of research. I have uncovered so much information from these phone calls in the past with body corporates. Sometimes they have been really positive outcomes and sometimes they've uncovered deal breakers for my clients. So this is free, easy stuff for you to do. You can do it within an hour and you can do it sitting on the couch.

Kate:
And until you told me those things last year, I wouldn't have even thought about doing that on my property buying journey. So I think it's really-

Amy:
There you go.

Kate:
Yeah. These things that are not necessarily going to cost you a fortune to do, but really could save you a fortune if you buy the wrong place or something with a really difficult body corporate.

Amy:
Absolutely. And until you start looking into the minutes and thinking about the types of questions to ask, you won't really know. Or, you might feel kind of nervous the first time you call the

council. I always had someone say, "Do I have to book an appointment in?" Nope, just call them, you ask to speak to the planning department. They are really helpful. I've never had an issue with council. They're there to help you.

Kate:
I guess that's what your council rates are going to pay for.

Amy:
Totally.

Owen:
Okay. I think we're up to lucky number five from Chris. Did you save the best for last, mate?

Chris:
I did. I think this is one of the strategies that I always try to encourage with clients. We've got a lot of young couples and maybe they're even quite new relationships and I'm always asking big questions like, "Kids on the way? Are you thinking about kids? Everyone else who is in their lives?" But a lot of couples and people don't really... I say, "Well, you know it's in three or four years time." But three or four years happens really fast. And a lot of people want to buy what their needs are today and for their lifestyle today, but not how their life's going to change in the future. And so we always try to get the clients thinking, "Well, what could we buy something today that we could grow into an asset?"

Chris:
So whether it's through renovation, so let's buy a two bed house in a great suburb that we really want to live long-term. Maybe it's a bit rundown, but we're happy to live in that. And then we'll renovate it to a three bed, two bath in the future. Or, maybe we'll buy a home, even though we in an area that we want to live, we'll live in it for a bit, get it growing tax-free, so use something called the six-year rule. And then we'll move back to the inner ring and be around our friends for a few more years till we're at that level. So, we just see it's very common that people will buy, let's say a two bed apartment, and that's great for them right now, but kid comes along and then all of a sudden they go look, "We're running out of space."

Chris:
And the challenge we find here is that, they wouldn't want to sell that asset to buy another asset. And it's likely that the asset they want to buy has outperformed the asset that they bought. Because mainly it hits the demographic, which is the family market, which is a stronger market than the two bed and say the one bed market, which is usually investors and couples. So, I guess you have to be a little bit careful if your asset, the future home that you want, isn't a great investment and it's in a location that isn't as good as what you could buy today, then yep, you wouldn't do it. But a lot of the time we find that you're better off to buy that future home or something that you can grow into and renovate, than for example, buying for your needs today.

Owen:

I like that. I like that. I know you've got plenty more Chris. So you've got many more tips than just these five. So let's have you back on the show to share more of them in time. But before we do that, Amy, we've got your number five, which I'm dying to hear.

Amy:
So my last tip is to do with quote ranges. And I often hear people say things like, "Oh, if it we're in a hot market and the properties quoted eight to 850, that means it's going to go for 900+. That's not the case, you can actually apply any type of rule or trend around quote ranges. So when we're talking about a private sale, there's either going to be a fixed price or there's going to be a range. Now what that says is that the vendor will accept that price or when it's a range, it's generally the top of the range, in the absence of competition. But competition might still take that above or you might get that for less, especially if your terms are good. But if we're talking about auctions, the quote range is supposed to reflect two things. One of which is comparable sales and what that property is worth. And secondly, the vendor's expectations.

Amy:
Now the issue here is that sometimes agents can be a little bit cheeky with comparable sales and say things are comparable when they're not, or sometimes they can just be no really good comparable sales. So that quote range can sometimes not reflect what the property is worth. But secondly, a vendor's reserve or a vendor's expectations, the vendor doesn't necessarily want what the property is worth. Sometimes they want way more, sometimes they want way less because they've motivated and perhaps they've bought another property and they just need to sell that. So there's no hard and fast rule here. And just as a practical example, in December late last year, I bid on a property, it was quoted one to one, one. And I bought that property for 1,000,045 at auction, because I did my comparable sales.

Amy:
I said to the client, "I think this is going to pass in. It's not worth one, one. It's not worth an excess of that." And that's what happened. So if you are a buyer and you are just saying, "Oh, it's quoted one to one, one. It's going to go over that." You would have not gone, you might have not looked at that property and you would have missed out. So just don't apply any rules, make sure you do all your own research, do your comparable sales analysis. The more you're in that market and seeing what things are sell from, going through properties and tracking sale results, the better idea you'll have around price. Don't just rely on the quote range.

Kate:
And I think the quote range is a lot tighter in the city where you might have an apartment block where there's five that have sold in the last year and it's quite comparable. But then when you were to move a bit further out like in Owen's direction, there's less around to compare to. Do you have any tips for maybe a first home buyer who is thinking about moving a little bit more regionally and there's less comparable sales available?

Amy:

It's really hard when there's less comparable sales. Sometimes you have to go a little bit further back in time to get good sales. I'd sometimes rather go back further in time, then go like three or four suburbs out where the demographics and the values are totally different. If you can't go back further in time, sometimes you do have to go a bit further out or you do have to look at something with one less or one extra bedroom. It can be incredibly challenging there. And I've done literally thousands of comparable sales and sometimes I'll still come across tricky ones where I'll still arrive at a figure or a range, but I've got a low confidence rating. And that's normal because we can't make comparable sales just appear. We're working with the information that we have.

Owen:
You see Amy and Chris, Kate wants to buy a forest, and trying to find comparable sales on a forest is actually quite difficult to do. So, she was just trying to get the inside work there. Chris Bates from the-

Amy:
I'll just finish off there by saying, if you're not certain around the value and especially if you've got a high LVR, then that means that you should probably consider being subject to finance or subject to a bank val, just because you'd have a higher chance of potentially that bank val coming in less if there's no good comps.

Owen:
Yeah. Well that's 10 tips from our experts. Amy Lunardi from amylunardi.com.au, a buyers advocate. You can find out all about her services on the website or you can find her on Instagram, she's got her own podcast. And Chris Bates from wealthful.com.au. You can find out all about Chris's mortgage broking and just his general money management advice. If you follow him on LinkedIn, he's got The Elephant in the Room podcast. Before we let listeners go and before we let you two lovely guests go, we have a free course that's curated by Amy and Chris with our support and it's on Rask Education. It is totally free. You get to learn a little bit about some of the things you need to consider before buying, during the buying process and after buying a house. This is just so important for your first home listeners.

Owen:
We joke with the guys here and keep it lighthearted, but it is a really serious and important time in your financial life. A lot of people say to us, "We need to cover more property. There needs to be better resources available." Well, these two experts have helped us out. Please go ahead, take the course, review it and get in touch with Chris and Amy, if you need the expertise. So Chris for mortgage broking, Amy from buyers advocacy, really, really impressive people. So, thrilled to have you on the podcast today thrilled it to be working with you for the course. So Chris, Amy, thanks for joining Kate and I.

Amy:
Thanks, Owen. Thanks, Kate.

Chris:
Thank you so much.

Kate:
Thanks for tuning in to this episode of the Australian Finance Podcast, where our mission is to improve the financial futures of all Australians. If you'd like to learn more, create a free account at rask.com.au/account to download free episode, workbooks, bonus resources and take our amazing free personal finance courses.

Owen:
You can also join our online community by following the link in the description. If you enjoyed the show, what we'd love is for you to leave us a snap your review on iTunes. And you can follow us on Twitter and Instagram at @RaskAustralia. Kate and I are also on both of those channels. Finally, if you have any feedback, suggestions for episodes or guests to come on the show, or you just have a question for us, shoot us an email at podcast@rask.com.au