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Property Advisors

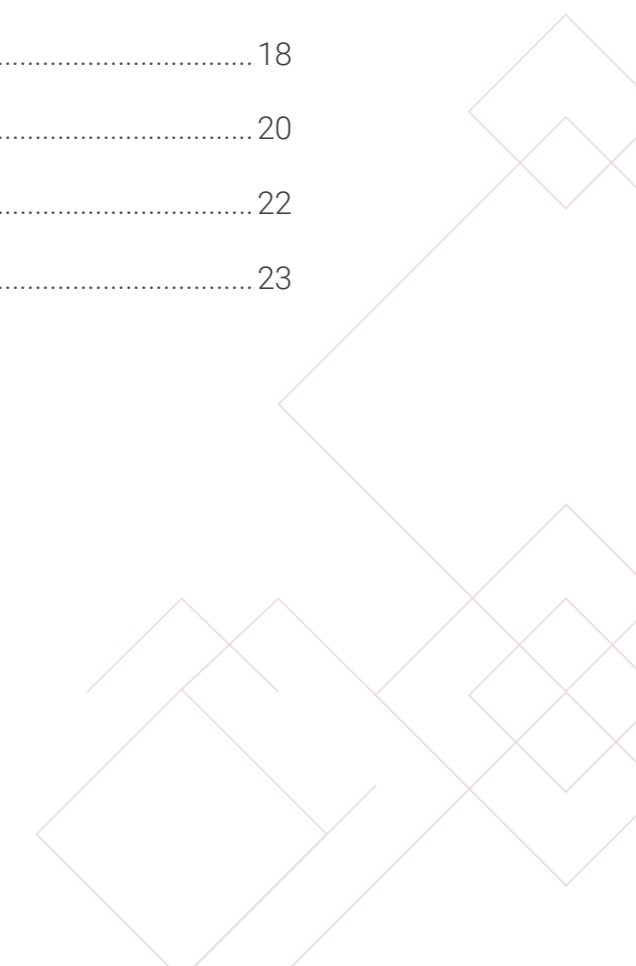
CORONAVIRUS PROPERTY BUYER'S GUIDE

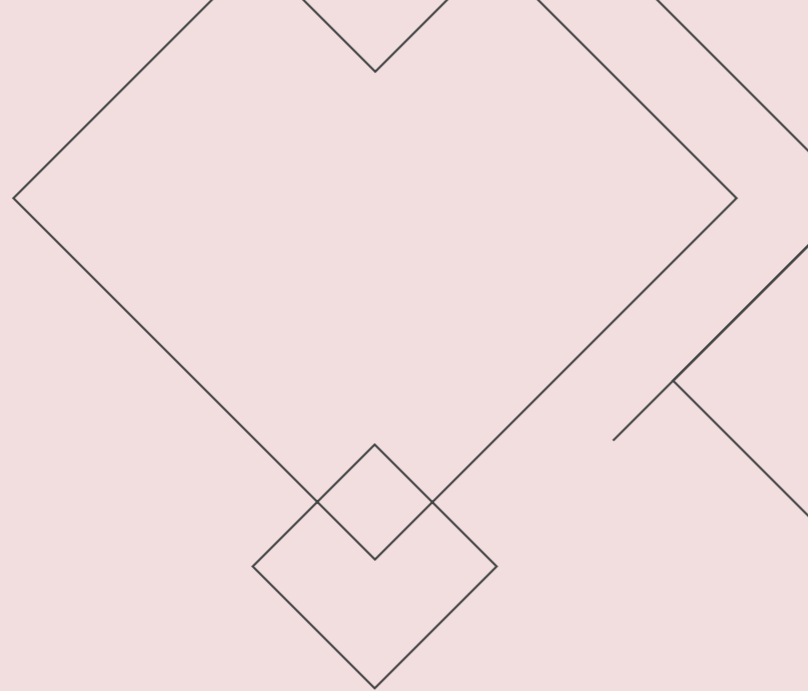




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HELLO & WELCOME

If you're reading this Infolio Property Advisors guide, it's likely that you're about to embark upon the path to purchasing property. Whether you're an investor, a first home buyer, an upsizer or a downsizer – we're glad you're here.

Even the most seasoned property buyer can make costly mistakes when it comes to purchasing, and the situation with Covid-19 only complicates things, which is why we've created this eBook.

At Infolio Property Advisors, our expert team of buyers advocates have been helping purchasers acquire premium Melbourne property for decades. We've seen it all – the good, the bad and the (very) ugly.

Even during this uncertain year, Infolio want to help buyers get the best outcome every time: ensuring they negotiate robustly, buy at true market value and purchase with capital growth in mind.

In this guide, you'll learn about the five mistakes most commonly made by property buyers, and how you can avoid costly pitfalls and adopt savvy buying behaviors to help you nab the right property at the right price. These 'mistakes' are always relevant, but even more so at this time when the property market is less stable than it was before Covid-19.

Whether you're looking to buy a forever home in a premium Melbourne suburb or source a quality investment, you're well-equipped with Infolio's guide: it's a buyers advocate in your pocket.

Buy well!

Lauren Staley and the Infolio Team





CORONAVIRUS PROPERTY PRICE FORECASTS FOR MELBOURNE

We're in a precarious time – uncharted waters – yet there's many professing 'expert' opinions on how the property market will fare. Most conversations I've had in the past six months have addressed the question of 'when': when will we see the bottom? How far will prices plunge? What will happen when mortgage relief ends? And, so on.

I've been in property more than 21 years and have never seen conditions quite like this – even the GFC is incomparable. As a buyers' agent I see, firsthand, buyer behaviours, which offer a depth of knowledge as to what people on the buying side are thinking and planning. So, let me tell you what I do know and what I am seeing...

Everyone's differently affected by Covid – the negative impacts haven't been felt by everyone. And, much like during the GFC, there will be secure buyers looking for opportunity.

When Covid first hit roughly 30% of our clients put their property searches on hold because of job concerns, and the subsequent impacts. Every one of those clients has since recommenced their searches; some have even recommenced with their working hours reduced because they're able to reduce budgets to buy better in these conditions. Other buyers have decided they can get more for their money. Regardless, the point is, they've all come back.

The average buyer will pick up that, across the board, prices are falling. But, there's no overarching blanket for the Melbourne property market – there are markets within markets. If you drill down you'll find that some locations are still growing: there are price points that are prospering, alongside others that are softening.

A lot of people have come to me and asked if they should wait until September to buy – this is when mortgage relief ends. I think there will be some opportunity, but will it be the right kind?

Typically, when someone's under financial stress, they liquidate their beach house or investment property, not their principal residence. I don't believe, therefore, that September will see a flush of A-grade homes at discounted prices. We may even see increased buyer competition for the properties that do become available.

We have seen softening in the upper end of property markets – 5% give or take. And, we've also seen the first-home buyer market, sub \$1m, boom, with hundreds of attendees at inspections, queues for property viewings, multiple bidders, and offers. Those that have the deposit are looking to buy now and the demand will likely underpin the investment-grade properties that could become available come Spring time.



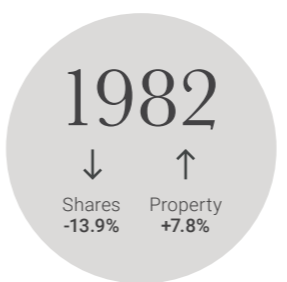
We do know that there has been a large percentage of people who've put their mortgages on hold, but many did so with a 'save for a rainy day' mentality. The same occurred with rental properties, and tenants applying for rent relief. Of the 650 properties under our management, only 7% had legitimate claims processed through REIV (Real Estate Institute of Victoria).

It would be remiss of me not to discuss stock levels – currently we are sitting 30% below average and 21% below the 10-year average. Is this the new norm? It could be for some time. While we have demand to buy quality property, and we have limited stock, this may underpin values. Again, forming part of my refute to the market dropping as dramatically as some people predict.

So, when should you buy? In my view, if you're trading up or an investor, then now and over the next 6 or so months. If you're buying to hold, then any adjustment will have little relevance long term.

Most people who have cash to buy now will make the error of holding until they think the bottom has been reached and then risk missing out. The rebound can be hard to judge and is often so fast you won't know its reached bottom until it's on the way up again.

The situation with Covid-19 is unique, but I do think we can look to the way the property market has fared in other challenging circumstances for some guidance on what we might be facing:



In 1982 Australia experienced a short recession, the share market fell -13.9%; during that year **the national property market rose +7.8%**, and then went up the following years +5.8%, +12.9, +10.55.



In 1990 Australia entered a more severe recession, the share market fell -17%, during that year; **the national property market rose +4.1%**, and then in following years rose +1.5%, +4.8.



During 2001 we had the September 11 terrorist attacks & the dot com crash, the following year the share market fell -8.1%, during that year **the national property market rose +13.9%**, and then in following years went up +19.4%, +16.2%.



Most recently, we had the 2008 GFC. That year the share market dropped a whopping -40%; during that year **the national property market rose +7.5%**, and then in the following years went up +1.9%, +13.7%.

For the latest Coronavirus updates including up-to-date rules for inspections and auctions in Victoria, visit: [infolio.com.au/news](https://www.infolio.com.au/news)



THE EFFECT OF CORONAVIRUS ON THE MELBOURNE PROPERTY MARKET

HOW CORONAVIRUS HAS CREATED OPPORTUNITIES FOR FIRST-HOME BUYERS AND UP-SCALERS.

Covid-19 has seen the Melbourne Property Market lose some investment buyers, in particular those from overseas. But, while the majority of foreign investment is on pause, first-home buyers and those looking to upgrade their homes are taking the opportunity of low interest rates, and mild price decreases to enter the market. Subsequently, fewer properties are currently on the market which has kept competition for houses high – especially in the first-home market – and that's meant that prices in this sub-\$1m range have stayed steadier than expected. Refreshing news if you're a vendor selling into this market; and even more refreshing if you're selling in an in-demand suburb.

To offer a real-world example, Infolio recently acted as the vendor advisor on a 2-bedroom apartment in Elwood. We approached the agent with trepidation because, right now, it's harder to predict value, and the depth of the buyer pool. But, our client, wanting to sell, decided to press on.

The first Open for Inspection came on the weekend that restrictions lifted, and open houses were permitted with limited numbers inside at the one time. There were 101 people through the apartment that weekend, and five offers above the quoted range by 4pm the following Tuesday. The property was subsequently sold to an unconditional buyer.

What we learned from the experience was the number of first-home buyers out there on the hunt. Providing they already have the deposit and the stamp in savings, then it's more effective to buy now than continue to rent, and this is propping up the market.

We've noticed, too, people using the current situation strategically and taking the opportunity to scale up. Those who couldn't afford that extra bedroom in their desired area before Covid-19, are discovering that now they can by taking advantage of softening prices in the upper end of the property market – reported to be 5%, give or take. As the above example illustrates, up-scalers are realising the window of opportunity this presents: they can still get a good price for their current home, then buy back in on a cheaper interest rate, and potentially 5% discount on something bigger.

So, unless you're buying off-market, we're predicting that competition will continue to keep prices fair and for strategic buyers and sellers this means opportunity awaits.



BUYING MISTAKE: BUYING EMOTIONALLY

We've all been there: you step inside a professionally-styled property and your heart starts to pound. Gleaming tapware, fluffy white rugs and a sundrenched courtyard that puts butterflies in your tummy.

You've fallen in real estate lust, and you're at risk of being sucked into the 'emotional buyer' trap. If you're a buyer whose heart rate rises at the sight of a rose gold light fitting, ensure you've someone pragmatic assisting your search. Emotional buying is costly, because your conscious mind is overcome with excitement at the way a property presents – it's very easy to ignore practical items which affect the true value of a home.

We've observed this time and again in the market: newbie buyers are impressed with styling, and struggle to observe the property as it really is. They ignore poorly-configured layouts, substandard building and even the size of a property. Before you begin your search, itemise your property 'must-haves' and your 'desirables'. This process will help you separate your real needs from your wants. After each open for inspection, see how the property measures up against your list. If it's satisfying more 'wants' than 'needs', it's likely not a practical option. If the opposite is true, consider how easily you could improve the property with desirables.

Infolio have included a 'Wants versus Needs' property worksheet on page 22 to help.

BUYING MISTAKE: OVERPAYING FOR PROPERTY

This may shock you – but even seasoned investors overpay for property in Melbourne. The nature of Victoria’s competitive auction culture naturally lends itself to overspending - but there are a several ways you can avoid making this common (costly!) faux pas. You’re more likely to overpay for property if:

- You’re under pressure. In a hot market, buyers fatigue after months of unsuccessful property hunting, and go over budget just to secure something.
- You’re bidding emotionally. Reiterating mistake #1 – don’t let your emotions play a role in your bidding strategy. Set your limit and stick to it.
- You’ve not set a budget. Whether you’re buying with a partner or going solo, identify a firm budget for each property you consider. Take note of other recent sales in the area, and how well the property satisfies your ‘needs’ versus ‘wants’ matrix: these factors will inform your budget. Our worksheet on page 22 will help!
- You’re inexperienced at auction. Don’t jump straight into bidding on properties you’re emotionally invested in. Instead, attend multiple auctions in the area you’d like to buy, observing results of properties similar to those you’d like to buy. You’ll soon get a feel for the type of bidding strategies being employed, and have a chance to eyeball the competition!

Always research the local market, and use the Statements of Information on offer to help inform your budget. These statements are best considered as comparable sales – note that they don’t necessarily reflect the vendor’s reserve.





BUYING MISTAKE: AUCTION FAILS

Auctions are a psychological battle of the fittest – and often, the richest. Just like an obstacle course, there's many hurdles to negotiate before you see the gavel go down in your direction.

Three major auction fails to avoid are:

- Making silly low-ball bids. If you're at an auction to win, don't make silly bids. Be realistic, be confident, and bid in line with evident market demand within budget.
- Being overly confident. While you might think you're the image of confidence with your Bluetooth earpiece, dark sunglasses and sharp suit, being too cocky can land you in hot water – particularly if you're rude to fellow bidders or the estate agent. If a property passes in and you've snubbed the agent, the odds won't be in your favour when it comes to negotiation. Be courteous to all involved with the transaction.

- Covid-19 has meant limited numbers at auctions – a good thing, especially if you're there to bid. Having the whole family in tow can make you look vulnerable to other purchasers, particularly if you're speaking amongst yourselves during the auction call.

If you're concerned about your ability to buy successfully and within budget at auction, engage an Infolio buyers advocate to act on your behalf. In collaboration with your advocate, you'll establish firm budget limits, understand the true value for the property you're considering, and enjoy the distinct advantage of having a professional bidder and negotiator in your corner. Phew! You'll have claimed your property (and reclaimed your Saturdays) in no time.

“As many as 45% of properties acquired by Infolio are purchased off-market”

BUYING MISTAKE: IGNORING THE HIDDEN MARKET

Believe it or not – there’s life beyond realestate.com.au.

In fact, there’s a whole marketplace of properties available for sale that most buyers have no opportunity to access – unless they’re working with a buyers advocate. While it’s always a good idea to become familiar with agents in your area and let them know your property requirements, they won’t necessarily give you access to off market purchasing opportunities.

Last quarter, 45% of the properties Infolio Property Advisors acquired for buyers were purchased off market. That’s a lot of hidden real estate!

Courtesy of our relationship with reputable agents and vendors across Melbourne, Infolio are able to offer properties to our clients for purchase without competition from the wider market. Based on your criteria, we identify properties that meet your needs before they’re made available to the wider market – giving you a distinct purchasing advantage.

The hidden market is where much of the best real estate purchasing is done: without the hassle of lengthy auction campaigns, private sale bidding wars and busy open for inspections. With the right buyers advocate on your side, it’s yours for the taking!





BUYING MISTAKE: SHOWING YOUR HAND

A real estate auction or private negotiation is a bit like a game of poker: the last thing you want to do is to reveal your hand. When it comes to auction day, strategy matters.

Revealing that you're desperate to buy, that you're highly emotionally involved or budgetarily constrained sends a clear signal to other bidders. It shows you are their competition – but worse, it shows that you are their inexperienced competition.

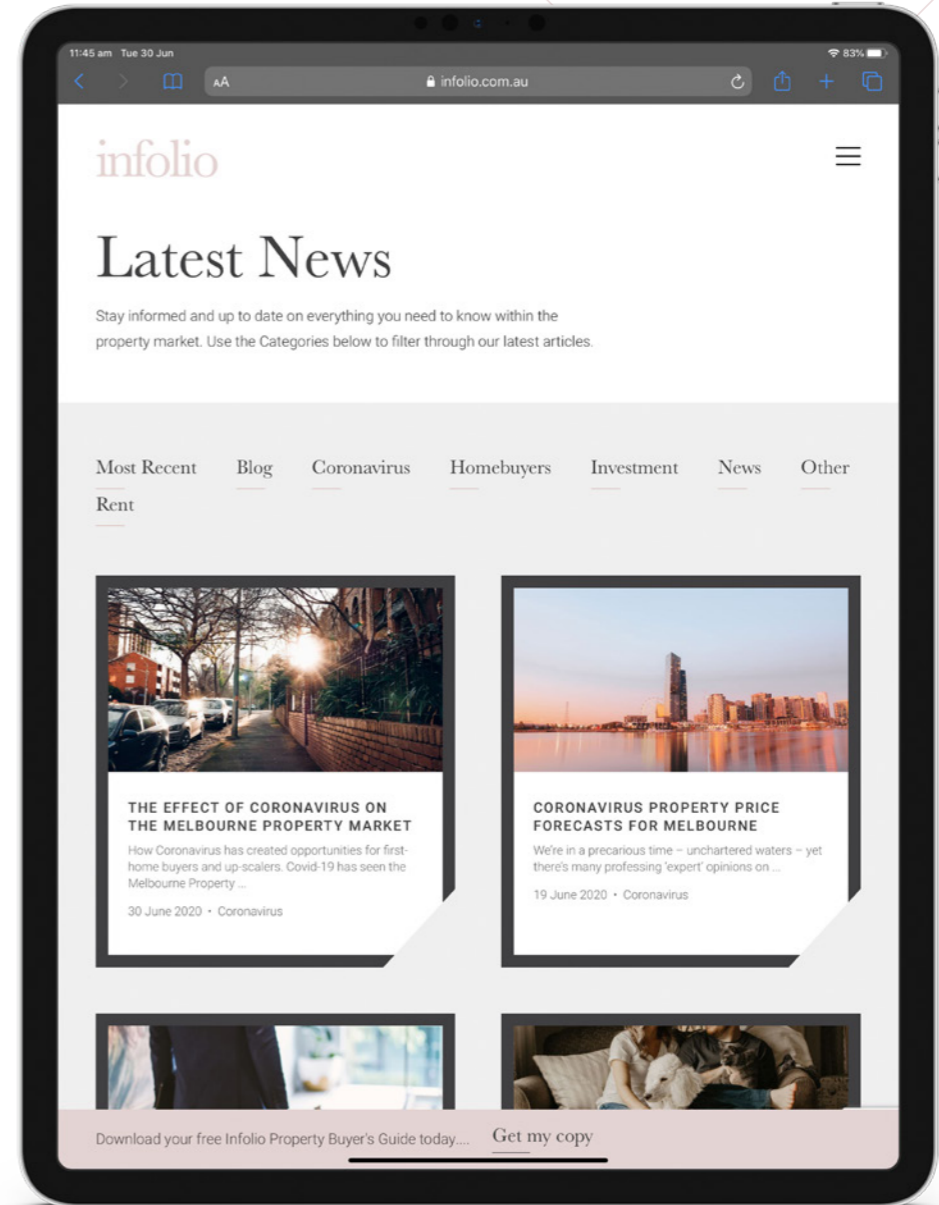
On auction day, try to remain calm. Ensure you're prepared with your firm bidding limit, so you don't have to make mid-auction SOS calls to your broker (or the Bank of Mum and Dad).

If you're purchasing a property prior to auction or private sale, the negotiation process becomes even more fraught.

Ask the estate agent for clear protocol around offers prior to auction, so you're aware of the rules of engagement. Will your bid be revealed to other buyers? At what time will the property be announced sold?

Word to the wise: avoid bidding wars, as they encourage overpaying for property by pitting desperate parties against one another.

Infolio have provided another handy Worksheet on page 23 to help you establish some ground rules when negotiating or bidding.



FOR THE LATEST CORONAVIRUS UPDATES INCLUDING RULES FOR INSPECTIONS AND AUCTIONS IN VICTORIA, VISIT:

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