Video transcript - Cracking the Code: Connect Events

[On screen text:] Networking, topical, ideas, insights, innovation, Bankwest Connect Events.

[Sarah Howard:]

The most common mistake that I see made by first home buyers is not having that initial discussion with their Home Finance Manager or trusted advisor sooner.

Even if you haven't started saving your deposit, if the idea has just pretty much popped into your head, that I'm pretty keen to purchase a house in the near future.

Have a chat with someone who can tell you exactly where you're at. We can work out your borrowing capacity, which will help work out your budget, we can have a chat about some repayments, deposit requirements, that sort of thing.

And if you don't have your savings plan in place, we can help you to put that into place. So obviously you know you can sort of see your goal being reached at some point in the future.

[Damian Collins:]

So look I guess, if we are looking for the brand new shiny home that's going to be in the house and land package. Generally if your budget is say $450,000 to $500,000 which is sort of around the range of most first home buyers, you're probably going to be out in those outer suburban areas.

You're going to get the nice house but the capital growth historically is less than those outer suburban areas. So I always look at the way I say to people, your first home should be a great home for you, but you probably won't be there for your whole life.

It's a stepping stone on getting on the property ladder. So, if you're looking into getting into the market and you want to trade up at some stage to something better. It doesn't have to be the shiniest new one because over time properties depreciate.

So you look at those, we're talking about those 80s villas and town houses and houses. Some of them are now ready for knock down, they're being knocked down, they're 30 getting close to nearly 40 years old.

So you think about that house you're buying on that brand new house and land package, the land is what goes up in value, the house declines in value over time.

So you got to do the trade off, if you want to make more money I would definitely buy established in a closer location with all the things I spoke about before and look at that as a set of stepping stones, you can renovate it, paint it, redo the carpets but that's just your stepping stone on the property ladder.

If you want it all now and all the shiny things, you can do that. But evaluations are hard to stack up at the moment with the over supply out there. So ultimately it's a personal choice but if it came down to purely financial you'd buy an established.

[Sarah Howard:]

I might just touch on that as well, just from the first home buyers side of things. When you purchase either a brand new home that's never been lived in before or a house and land package you're eligible for the $10,000 first home owners grant and the stamp duty is waived on the land price. But when it comes to purchasing an established property, the first home owners grant is not applicable.

The stamp duty is waived on purchase prices of up to $430,000 and then it's charged at like a pro rata rate from $430,000 up to $529,000.

So, I guess another couple of pros and cons as well. I usually say to most of my first home buyers, taking out a mortgage is you know it's pretty full on. You're not paying board at mum and dad's anymore, so why not when you're starting your savings plan, why not sort of set a budget aside to basically depositing what would potentially be your mortgage repayment into a savings account.

That way it's obviously going to prepare you for paying that mortgage off, before you get the mortgage. But also with generally most loans, you're required to have at least a 5% genuine savings deposit. So that ticks that requirement off as well because you consistently depositing
the same amount into your savings account and then you've got your genuine savings history. So, that would probably be my little bit of advice.

The stamp duty is waived on purchase prices of up to $430,000 and then again it's concessional between $430,000 and $529,000. If you were to purchase between that bracket where it is charged at a concessional rate, you generally will need to come up with your 5% deposit plus fees such as your stamp duty and any settlement agent costs, any bank fees, that sort of thing.

[End of video]