

An aerial photograph of a city, likely London, featuring a large body of water (the River Thames) in the foreground, a large green park (Hyde Park) in the middle ground, and a tall Ferris wheel (the London Eye) in the center. The city skyline is visible in the background, including the Houses of Parliament and Big Ben. The sky is a clear, light blue.

EXPATLAND PROPERTY SERVICES

Michael Radovnikovic
Radley Property

Introduction

Sydney is considered globally as one of the most prime locations to buy property.

It very much is about three key factors - location, location, location. which is to say Sydney has;

- a globally stable and transparent political system
- the centre of Australia's commerce (the employment capital of Australia), and
- the highest population of any Australian city with approx. 6 million people and has constrained geographical supply.

Sydney has been under the spotlight from overseas buyers in recent years for these three factors and spearheaded by key social fundamentals:

- Strong education facilities
- Safe place for children to grow up, and
- A stunningly beautiful lifestyle.

In our view, on a global scale, Sydney remains undervalued and with strong population growth forecast between 2018 and 2036, a strategy for securing property has never been more important.



For Australian expats, this has meant increasing competition in securing the right property for the right price. The age old question is “when is it a good time to buy property”? The answer is always “yesterday”.

The NSW state government currently has the highest percentage of state GDP invested in delivering infrastructure for population growth across Sydney since WWII.

The billions of investment dollars are delivering new roads, tunnels, freeways, both heavy and light rail, large scale service infrastructure, a new 24/7 Western Sydney airport and land use changes all for the purpose of delivering more apartments and houses for Sydney.

Due to the fragmented nature of Sydney land titles, the ability for the private sector to deliver the required annual dwelling targets is impossible.

In fact, not since the 2000 Sydney Olympics has Sydney hit their annual dwelling targets.

With a backlog of supply upwards of 150,000 dwellings in Sydney, and no future forecast to catch up with annual dwellings targets, we will continue to see the gap widen between population growth and annual dwelling completions.

Therefore, it has never been more important to secure property in Sydney and as an expat, filtering through all of the white noise in the media and getting the best inside knowledge and networks is essential to securing your next and future properties in Sydney.

This chapter will bring together real - life examples of client cases that illustrate how expats should buy property in Sydney. These strategies are all objective and taken from expat client experiences.

What are some of the issues with buying property in Sydney when overseas?

Typically, expats understand the key fundamentals in Sydney but are often confused by so many differing views in the Australian property media.

We get lots of feedback from our clients that they read certain Australian news and then take a strong view on the market.

This is not a good way of judging what is happening on the ground.

The most significant factor with property media is that both positive and negative news stories often have an underlying agenda and it is imperative to know the sources of information to ensure that the data is not unfairly influenced.

There are several reputable sources of independent data that is available for Sydney property. Unfortunately the best and most objective are subscription based data sources and are quite costly. Our clients get the benefit of our property purchase strategies with objective data.

Our most common client feedback relates to the many Sydney based developers and sales agents that sell exclusive apartments and house and land packages directly to expats.

There are property events that are regularly held in Singapore, Hong Kong, Kuala Lumpur, Manila and many other cities where there are expat communities.

These seminars often give financial advice and “exclusive” access to local Sydney product.

One of our clients called me and asked “if the developer or selling agent spending all of the cost to sell this stock directly to us in Singapore, why has the local market not absorbed the product”?

This is such a pertinent question.

Our client was correct in her inference. In our experience, there are five factors influencing why Sydney developers or selling agents fly to expat communities to sell Sydney real estate:

1. It's the wrong product for the local market presenting poor value for any purchaser.
2. The agent is incentivised with higher commissions to try and sell the product higher than the local market would accept, leading to valuations on settlement slower than the purchase price.
3. Take advantage of expats' limited local on-the-ground knowledge of markets.
4. Take advantage of expats' limited local on-the-ground knowledge of developer reputation, builders, quality of workmanship, the market perception on resale and quality of the end product.
5. There are often local factors that can affect some areas where there may be a pocket of development with poor amenity, limited access to good quality public, selective and private schools.

It is essential that expats have the best objective representation when buying their next property to ensure that they have a competitive advantage, purchase the right property according to their strategy and benefit from long term established relationships with participants in the buying process.

What are some of the issues with buying property in Sydney when overseas?

It is important to have your team ready to go prior to buying your next property. The changing nature of debt for expats is a challenge that many of our clients experience and is covered in another chapter in this book. Being at the forefront of this issue with our clients, being pre-approved for property finance is imperative to maintaining the competitive advantage of securing your next property.

A good conveyancer is imperative in turning around fast contract reviews and ensuring that your best interests are taken care of. Often when purchasing off-the-plan apartments, house and land packages with split contracts and older strata apartments, there are nuances to these contracts that can impact the purchase.

Off-the-plan apartments – it is important to understand the nature of the sunset clauses, the legislative liabilities that are being warranted by the developer and builder along with how the strata is being formed.

House and land packages – land development is a great investment product for investors however the nature of land developments and risks on project program are often high with projects being delayed regularly.

Old strata apartments – Established market strata properties are by far the most common property purchase. From an investment point of view, rental yields are typically more attractive and in older buildings, all potential defects and building growing pains are overcome. However, a building's typical life cycle is 50 years and there are many federation, art deco and red brick walk-ups across Sydney metro that were built in the 1950's and 1960's that were built in an era with much more unsophisticated building standards and materials.

As a part of the due diligence it is important to be able to identify these issues and potentially appoint a remedial consultant if required.

Why our expat clients use a buyer's agent

It is typical for expats to use a buyers agent to take the risk out of buying Sydney real estate.

A buyers agent that directly works with expats looks after all aspects of the property acquisition for the purchaser.

An expat buyers agent brings the acquisition team together, suggesting the most appropriate financier and conveyancer and if an investment, property/leasing manager, quantity surveyor for depreciation schedules and can manage renovations with a contractor if required.

The Sydney property market has many nuances since 2014 that have been the target of macroeconomic banking policy that has been the target of APRA (Australian Prudential Regulation Authority).

As a result of the changing nature of Sydney's market, clients have requested health checks of their existing property holdings in Sydney.

The newly established Greater Sydney Commission has laid the groundwork for Sydney three 30 minute cities and how this has affected infrastructure growth and the existing established market is significant.

We discuss in case study 4 how a portfolio health check is an essential exercise of all expats in Sydney if not undertaken in the last two years.

Your Sydney buyers agent should establish and execute on your own specific investment strategy based on your property health check and work with you on your next purchase, be it for investment or repatriation.

In our conversations with our expat clients moving back to Sydney, many quote recent media articles or television news headlines as the basis for triggers for buying or not buying in Sydney.

While many expats are commercially savvy people, the energy, funds and patience that are necessary to acquire the right property while out of Sydney is in all instances unsustainable.

The typical Sydney sider takes 9 months to purchase their property from the moment that they decide to purchase their next property until exchange. So what hope do expats have?

The common feedback that we receive is that Sydney expats have been searching for their next property for at least a month and have been misinformed by local selling agents on price guides.

Without having an expert on the ground, auction representation, negotiation and local networks will not be maximised. The time commitment for local purchasers alone is a big commitment and expats require more representation than by family and friends.

When you are geographically restricted, you are only as good as your team of advisors and your buyers agent brings together the best team for the best result.

In order to get the best result for your next Sydney property, tapping into the Expatland network is critical.

We find that expats get the best results on their acquisitions when using buyers agents as the buyers agents have a strong relationship with selling agents and have access to double the amount of properties that get listed on the usual selling platforms.

In some select inner city suburbs in the eastern suburbs, lower north shore and inner west, up to 70% of transactions will never be publicly advertised.

Off-market properties are a critical benefit of using buyers agents and we find that all of our network of selling agents love working with us because we come to the table with motivated, prequalified clients that can transact straight away.

If the property is on-market then we should establish:

- A bargain price
- A fair price, and
- A walk-away price

This threshold of pricing is critical in securing the property without overpaying.

A buyers agent ensures that this protocol is met.

Strong negotiation skills are critical in securing a property and is often a factor that comes undone with expats in the Sydney market.

Selling agents that know they are talking to expats often don't take the offer seriously due to the geographical divide and arm's length from the local market.

And lastly, a buyers agent advises on risks and opportunities in different markets such as targeting different investment properties in areas where leaning on different projects can often result in discounts that the general market cannot access.

What is off-market property?

As a whole, the Sydney property market has become increasingly competitive due to rapidly increasing population growth and constrained supply in high demand areas.

Expats typically want to live in areas for repatriation where it is within 30 minutes of the CBD, high amenity, close to good private schools and close to established transport links. With competition so strong, purchasers need to get a competitive advantage over the rest of the market.

Many vendors in high demand areas do not like the open houses with neighbours snooping through their homes and especially private individuals telling the market that they are moving or selling.

Selling agents work every day with buyers agents, privately doing deals with no marketing and doing seamless deals. The goal is not just to get a good deal on an investment property but to secure the perfect family home, often in areas where the kids move straight into high school.

Buying on-market property

There are several strategies that should be deployed for buying on-market property. These properties are typically listed online and again culturally, the Sydney market loves an auction. Therefore, we propose the following strategies for bidding on on-market properties:

Get in early – define the perfect property and if you see it, place a strong bid early with a time limit.

Don't go to auction – Make your offer conditional on acceptance prior to auction. Your buyers agent is most effective in this instance as the vendor knows that their client is pre-qualified and is not wasting their time. They are likely to take the offer more seriously.

If no other choice but to go to auction, use representation – Take the emotion out of it.

By using a representative like a buyers agent at an auction, you are guaranteed to take the emotion out of the transaction (which is hard when it is possibly your next home) and likely to secure it without over capitalising.

Case study 1 – Buying your home for repatriation

We see many expats repatriate back to Sydney or expats from other countries moving to Sydney with children in primary school.

Our client had two children that were moving into high school in 12 months' time and the very organised couple wanted to secure a home to live in close to the high schools that they had their children on the waiting list for.

When tasked to secure a 4-5 bedroom home in the exclusive eastern suburbs, we knew that we had to tick a few boxes. The home had to be located within the school catchment and within 200m of public transport so that the kids could make their way to and from school on their own.

Both parents are executives for multinationals and work in the Sydney CBD. The home had to feel homely and be located within a 10- minute drive to the harbour, which is not hard to achieve in the eastern suburbs.

Once we were able to drill down into the detail with the family and understand all of the nuances of the family, how they wanted to spend time together on weekends, go for picnics and be close to certain schools etc. specific selling agents can be approached and a shortlist of properties are collated.

The property was secured within six weeks and offers were made on two suitable properties.

Casestudy2–Buying your next investment property

Whether it is buying your first investment property or moving a bonus into property for tax purposes, Sydney presents many investment grade options.

Due to the growth of Sydney property prices, yields have been low for a very long time and continue to average approximately 4%. First we must establish if a property is being purchased for yield or capital growth.

For yield, areas in high demand with very small vacancy rates should be targeted. For capital growth, Sydney is a hard pick. As there was little to no land release between years 2000 – 2010, Sydney's growth centres had double digit growth year on year from 2013 – 2016. This year on year growth was a response to a decade of no supply and relative to the low cost base of land at the time in greater Sydney. It is unrealistic to assume that these growth rates will continue.

Areas that have the highest potential for growth are:

- Suburbs that have not experienced significant growth in recent years
- Suburbs that have not experienced significant supply in recent years
- Suburbs that have statistically the lowest entry point into the market, and
- Suburbs that have strong local fundamentals such as high amenity, access to good public and private schools, strong transport links and high levels of social infrastructure. If not currently, at least planned or delivered by government or private sector.

Leveraging of locally and owners, developers and tier one builders, purchasing the highest possible quality product for the lowest price is the key.

Doing your research and establishing relationships in the space is critical to getting the best deal. Utilising our existing relationships, we were able to achieve a \$15,000 discount of the land contract and \$15,000 discount off the house price on a house and land package with a tier one builder.

Case study 3 - Existing Sydney property portfolio health check

The Sydney planning system has changed dramatically in parts in recent years.

We often see expats with several properties in their portfolio which are underutilised, will not achieve future growth or are under leased. It is essential for expats to maximise their existing assets in order to leverage future investments.

An expat client recently came to us with several assets and a preconceived strategy to sell some and buy more. Upon review we noticed that one of their lazy assets was an older house on the upper north shore.

While the house was old, it was not dilapidated and due to the large land size and walking distance to some of Sydney's most elite girls and boys private schools, the property had a market value of approximately \$3M.

We reviewed the revised land zoning and ran a feasibility on the development potential. The properties in the street were zoned for medium density development and we deployed a strategy to consolidate both neighbours on each side to sell together.

Brokering the deal with a few local reliable developers, the consolidated site was worth \$15M and all three land owners realised an additional \$2M on their properties.

AT A GLANCE

1. Sydney property is under pinned by strong demographics , stable government and liveability.
2. Distance, resources and time often impedes expats getting the best deals when buying property in Sydney.
3. Using a buyers agent is critical in getting a competitive advantage in the Sydney market.
4. In pockets around Sydney 50% of properties are sold off-market and it is essential to have relationships on the ground to secure the right property.
5. It is critical to deploy specific strategies for on-market properties in order to avoid overcapitalising on a purchase.

6. Putting a lot of thought into living arrangements, schools for children and weekend family activities is essential in establishing a locality and home features.
7. Buying your next investment property in Sydney has changed in recent years as certain suburbs in Sydney have seen significant growth in recent years. Suburb analysis has changed and is heavily data reliant.
8. Commercial property is the over performer for property yield.
9. Do an assessment on your existing portfolio for strengths, weaknesses and opportunities.
10. The NSW planning system has presented more opportunities for savvy investors in recent years, but you have to know where to look.