IN THE HOT SEAT

API CHATS TO BUYERS' AGENT AND PROPERTY EXPERT CATE BAKOS ABOUT HOW TO FIND THE GOLD NUGGETS AMONG THE DIRT.

Why did you decide to become a buyers' agent?
I loved being a listing and selling agent but I did find it one-dimensional sometimes. I was limited to selling only the stock that the business had listed, and I was exposed to investors all the time, yet I could see that sometimes competitor listings were more suited to them. After working as a broker for four years when my daughter was born, I realised that I could combine my cash flow calculating, lending policy understanding and analysis with my real estate ability to better help investors. I am passionate about good customer care also, so it's been a match made in heaven for me.

What makes a good investment property?
Only three things. Attractive and sustained growth drivers, strong rental demand and a good tenant pool. Investors who believe the key strength of an investment property is tax deductions are delusional. To claim a tax deduction means that a loss has been sustained. Losses are only worth contemplating if capital growth prospects far exceed the losses.

What's the biggest mistake you've seen investors make?
Taking bad advice from well meaning people who don't know what they're talking about, or taking bad advice from spruikers who are making a lot of money from the naïve buyer's decision to invest. My pet dreaded mistake relates to overpaying for property off the plan. Not only is it dangerous for the investor in terms of negative equity and additional out-of-pocket expenses, it can lead to lender knockbacks in some cases.

What's the best strategy, in your opinion?
Tailoring the property strategy to your lifestyle, not retro-fitting your lifestyle to a poor property choice. Cash flows need to be well understood so that the investor can select the best growth asset to match their allowable out-of-pocket-shortfall. The best property purchase is the one that the investor can enjoy without the need to ever sell.

How is the market performing (in Melbourne)? Can the boom keep up?
The market is performing well, particularly taking into account the financial environment, growth outlook and job market currently being documented. The low interest rates are fuelling price growth and as long as the interest rates remain low, I see little reason for the run we're having to suddenly stop. Seasonal fluctuation of the supply/demand balance will alter the pace of growth, however I believe the outlook remains positive for the metro city inner- and middle-ring suburbs into 2015 also.

Are people better off waiting now, rather than trying to buy for 'fear of missing out'?
I don't believe people should hold off. If a buyer can afford to enter the market now, I believe that the present is the best time of all. Median prices over the past 40 years show that property has continued to trend upwards. Bumps and peaks will always be evident in the history books, but a long-term purchase strategy is proven in the history books to be a sound one.

Which city do you think has the best growth prospects and why?
Melbourne and Sydney are the two cities that have the most confidence, as far as consistent growth goes. Both are home to high income-earning white-collar workers and this won't change. Brisbane has other interesting drivers, but it's fair to say that Melbourne and Sydney are the epicentres of high, long-term, consistent white-collar employment.

What has personally been your best investment property?
My best investment property so far has been a little house in Aspendale, Victoria, on the beach. We lived in it for a short time, but on reflection it has been a fantastic growth and yield asset because it's so tightly held – beachfront land availability is limited. It's desirable for tenants who will pay for that lifestyle, and it was bought so well. I paid $310,000 in December 2008 on Christmas Eve in the depth of the GFC. It was brave but I could afford it. It's now worth $600,000 and rents for $440 per week.

Where do you buy for yourself, personally?
I'm not allowed to buy any more property now. My husband put a stop on me. Our 20 investment properties are peppered around the country in Victoria, Tasmania, South Australia and Queensland. Our most recent purchase was our home in Yarraville, six kilometres west of Melbourne's CBD, and it's my favourite.

Do you think your clients should lock in interest rates, and if so, why?
I believe people lock in for two reasons; to beat the banks and to safeguard against interest rate rises in a specific period. The second reason is a sensible reason and if any borrower is concerned about the future impact on their lifestyle of NOT being fixed, that in and of itself is a good reason to fix. Borrowers need to be aware though that the cost of breaking a fixed loan can be horrendous, so it's best not to do it if contemplating a sale or a refinance.