

REIA Consumer Fact Sheet

Buying a Property

Choosing a property

Knowing what you want in a property before you start can save you a lot of time. If you set yourself a clear criteria, you will find searching for a property much easier as you will be able to eliminate properties immediately that do not suit your needs. Some important questions to ask yourself when setting your criteria include:

- What can you afford: calculate the deposit and repayments you can afford. Deposit requirements will vary, but as a rule of thumb, at least ten per cent of the selling price will be required. In general, lenders usually base the amount they will loan you on the rule that monthly repayments do not exceed a quarter of gross (pre-tax) income.
- What are your location priorities: identify the areas or communities that suit your lifestyle and the people living with you (shortlist two or three suburbs). Assess your need for transport, schools, sports facilities, easy shopping, etc. It is also important to research which suburbs are becoming more fashionable because of new developments, or have easy access to facilities and work centres.
- What type of a house will suit your needs: decide if you are looking for a flat, apartment, townhouse or house. The floor plan is a major consideration, so you need to decide how many bedrooms and bathrooms are required, if you need formal and informal living areas, the size of the kitchen, if you require a high or low maintenance garden, the size of the garage or carport and if you require a study.

Resources to help find a property

There are a number of ways to search for potential properties. These include:

- Real estate agent offices;
- Real estate industry magazines;
- Home ideas and lifestyle programs; and
- Real estate websites on the Internet.

Also consider talking to builders who are putting up houses in the areas you have shortlisted, as they may know of new properties for sale or the value of properties in the area. Consider attending real estate industry seminars and auctions or popping into an 'Open Inspection'.

Some people use a buyer's advocate or buyer's agent, which is a professionally qualified property consultant who acts solely for the buyer by sourcing suitable properties and representing the buyer throughout the buying process.

Preparing to buy

Prospective purchasers need to do some homework. Once you have found a property of a number of properties that fit your property you need to view them and make a decision based on all your criteria about

which one best suits your needs. Some things to remember when preparing to buy are:

- **Inspect the property:** inspections should be made at the advertised times or by appointment with the real estate agent. You may need to inspect the property more than once before making your final decision.
- **Assess the property against your criteria:** you need to look at the location and style of the property in relation to your requirements: the size of the property, proximity to schools, access to public transport and so on should all be considered. Once you have found a property that suits you, it is wise to check it out during the week as well as on the weekend, as a peaceful environment one day might be quite different at other times.
- **Engage the experts:** you may consider having a property inspected by a builder or architect to assess whether there are any defects that might affect your decision to buy. This is particularly relevant if large-scale renovation or extensions are planned. Both Archicentre and the Housing Industry Association (HIA), among others, provide an inspection service. For a fee, they inspect and report on the state of the property, including the structural condition, damp and termites.
- **Organise finance:** confirm with your financial institution or bank the amount they are willing to lend you and calculate this with your capacity to repay, without negatively impacting on your lifestyle and other financial commitments. Don't forget that (variable) home loan interest rates can move up and down, so you need to have a bit of leeway to cope if this happens.

You will also need to take into account a number of other costs associated with buying a property for which the buyer is liable. These may include the following:

- legal/conveyancing fees;
- stamp duty on the transfer of property;
- stamp duty on the mortgage;
- loan application fees;
- insurance; and
- adjustments such as council rates and water fees.

Making an offer

Missing out on a property that you have your heart set on can be a very disappointing experience. Quite often this happens because the offer process is misunderstood. When making an offer to purchase a property, it is important to be aware of the following:

- The agent will submit all offers to the vendor.
- The property remains on the market while the vendor considers all offers. Just because your offer is the first one submitted, does not necessarily mean that it will be accepted.
- Your offer may include a date by which it will lapse if not accepted.
- An offer may be made subject to a finance clause, i.e. bank approval, sale of an existing property or another consideration such as a builder's inspection.
- You can make your offer conditional on certain items (such as a dishwasher being included or excluded from the contract. Any special conditions such as these must be written into the contract).

- An offer is not legally binding on both parties until the buyer and seller have signed a contract. A contract must contain details of the property, the price, deposit and settlement terms. Once the offer is made in writing, it is then up to the vendor whether or not to accept it or whether to give other parties the opportunity to increase their original offers. The agent is not obliged to give you another opportunity to increase your offer. The vendor is under no obligation until they accept the buyer's offer by counter-signing the contract.

Buying the property

Once you have decided to purchase a home it means you have agreed to pay the advertised price for the property or you have negotiated a price with the vendor. Your agent will guide you through this process. Before the home is legally yours there are a few steps that take place:

- **Deposit:** you may need to leave a non-refundable \$1000 deposit to show you are committed to buying the property. This is something you will need to discuss with the agent.
- **Exchange of contracts:** this is formal legal process that creates a binding contract for the sale of real property on agreed terms. The vendor and purchaser each sign a copy of the sale contract and then exchange these documents, after which time the contract becomes legally binding on the parties. The parties are then bound to proceed to settlement, subject to any cooling off period that may apply. A deposit is usually also paid by the purchaser to the vendor during the exchange process. Any party that unilaterally declines to proceed to settlement may forfeit deposit monies or be subject to a damages claim.
- **Settlement:** this is the final stage of the sale when the purchaser completes the payment of the contract price to the vendor and takes legal possession of the property.

Some handy tips before moving into your new property

- Connect the electricity, water, gas and telephone.
- Check the locks, burglar and smoke alarms in your new home as soon as possible.
- Ensure your house and garden are child-safe. If there is a pool, check that it is properly fenced. Is the yard safe? What about the medicine cabinet? Are there household chemicals that children would have access to?
- You may wish to have new locks fitted.
- Register to vote in your new electorate.