

# Buying Property

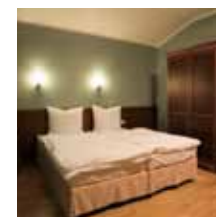


Your home of property knowledge



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## Introduction

Buying a property is one of the biggest financial decisions you will make. It's an exciting time but it's also daunting, and that is why it is reassuring to know your local PRDnationwide agent is here to help.

This book will guide you through the process of finding the property of your dreams with information such as finance and legal terms that may be new to you and the steps involved in buying property.



## What type of property are you looking for?

Home ownership remains "the great Australian dream", regardless of whether it is for investment or residential purposes.

Some people prefer houses; others might be looking for a unit, townhouse or villa. Choosing the property type is just the first of the decisions. How many bedrooms do you need? How many bathrooms? Do you need a car space or a garage? Would you like a garden or prefer a terrace, and what size kitchen do you require? All these need to be considered so that the property you're looking for meet your needs.

Then you need to think about where you want to live. Your budget might help that decision, but you still need to consider proximity to schools, transport, shops and sporting facilities to ensure the property suits your lifestyle or, if it is an investment, those you expect as tenants.

When searching for a property, it's good to select a property with at least one unique feature. It could be a renovated bathroom, large kitchen, original federation fixtures or beautifully landscaped grounds. Different properties are harder to replace, so historically they have a higher resale value.

Keep an open mind, the best deal might be just around the corner.



## What can you afford?

Calculate what repayments you can afford. As a 'rule of thumb', lenders will base the loan on an amount that does not exceed a set percentage of gross (pre-tax) income.

It makes sense to have your finance organised before you start looking. This ensures a smooth buying process so that if you find something you like, you know your limit and have your deposit ready.

You also need to allow for additional costs such as legal, conveyancing, stamp duty on the transfer of the property, stamp duty on the mortgage, loan application fees, moving expenses, repair and maintenance, insurance fees and adjustment fees such as water and council rates.

If you are having trouble finding the right lender your PRDnationwide agent will be able to refer you to their recommended lender.



## Where to find your dream home

There are numerous ways to sell a property, so there are a variety of places to find your property.

You have several options:

- Register with PRDnationwide's Property Finder
- Register your intent to buy with the local PRDnationwide office
- Research local newspapers
- Search real estate websites
- Word of mouth — tell lots of people you are looking to buy. They might know a place for sale that would suit you
- Drive around the suburbs you are interested in and see what is available



## Do your research

- Find out what is available at both ends of your price range
- Attend auctions in your preferred area
- Go to open for inspections to find out what is available
- Contact your PRDnationwide office for a research profile on the suburb
- Start your search and research early



## Inspecting & securing your property

Inspection times are usually displayed on the marketing material. There are two types: open house or inspection by appointment. In an open house arrangement the public is invited to view a property at set dates and times. Inspection by appointment requires you to contact the sales agent to arrange a time to inspect the property.

When inspecting a property take your wish list and make notes about the property. Check with the selling agent if you can take photos of the property to remind you of its features. Once you have inspected several properties, you will have a good idea of what is available and what your budget will buy.



When you have chosen the property you plan to buy, you may choose to have a pest or building inspection. If the property is being sold at auction, it is essential that these inspections are completed beforehand, and you review the contract of sale.

It is important to note that the laws differ in each State, so consult with your legal representative or local PRDnationwide agent.



## Making an offer

The offer and acceptance process is quite formalised, so it is important to understand the process before making an offer.

For a property that is for private treaty sale at a price:

- The agent will submit all offers to the seller
- The property remains on the market until an offer is accepted
- Your offer may include a finite date
- Your offer can be made subject to finance
- Your offer can be made with specific items being omitted or included in the contract e.g. to exclude an above ground pool. These special conditions must be written into the contract.
- You can make an offer containing a deposit, prior to acceptance, to demonstrate your intention to purchase. (The balance of the deposit is paid after acceptance). Should your offer be declined, your deposit will be refunded.
- An offer is not legally binding to both parties until both the buyer and the seller have signed the contract.





## Acceptance

Once your offer has been accepted, you are required to pay the deposit as specified in the contract. The seller will then sign the offer document, making a "contract", legally binding you to the sale.

Some States have cooling off periods after contracts have been signed. We strongly recommend you seek legal advice before signing.



## Buying at auction

Before attending an auction you must register as a bidder. Your PRDnationwide agent will be able to assist you with this process.

Ensure you have conducted all inspections and you are ready to purchase the property.

Auctions are held either on-site or in-rooms. It is essential that your finances are in order, that you have money ready to pay a deposit and, if you intend on borrowing, a certificate from a mortgage lender indicating how much you can borrow.

Prior to auction, your solicitor must check the terms and conditions of the Contract.

If your bid is successful, you are required to pay the deposit and sign the contracts immediately. A personal or bank cheque is usually acceptable — consult with your PRDnationwide agent beforehand. Each State is different, so consult your agent, but there is generally no cooling-off period, you are now committed to buy.

If the bidding does not reach the reserve price, the house is not sold, and is termed "Passed In". The highest bidder at the auction now has the first opportunity to negotiate with the seller.



## Deposits

By law, all deposit monies must be banked into an official trust account on the next day they are received or by no later than the next business working day.

Real Estate agents do not receive any interest or benefits whatsoever from holding deposits on behalf of the seller.

If purchasing at Auction the holding deposit must be paid on the day or as stated in the contract.



## When is the property yours?

It is important for buyers to recognise that the legal process governing what happens after an offer has been accepted varies between States. It can be a lengthy process. The property does not become yours when you hand over the holding deposit. It is not until both parties have signed the contract and it becomes unconditional and binding that it is time to celebrate.

PRDnationwide real estate agents are professionals, and will keep in touch throughout the legal process to advise you of any developments. They will make sure that your purchase of your little piece of Australia is as worry-free as possible.



– Congratulations –

## Glossary

**Auction:** Public sale of property to the highest bidder, providing the reserve price is met or exceeded.

**Breach of contract:** Breaking terms of a signed contract

**Caveat:** A document lodged with the Titles Office by any person to ensure the property is not sold without their knowledge.

**Caveat Emptor:** a.k.a "Let the Buyer Beware". Places the responsibility of the buyer to be satisfied with the item before buying a property.

**Chattels:** Personal property. There are two types. Real Chattels include buildings and fixtures. Personal Chattels include clothes, furniture etc.

**Common Property:** Strata Titles areas shared by all owners.

**Contract Note/Terms and Conditions:** Written agreement outlining terms and conditions of a property sale.

**Contract of Sale:** A legal document that sets out all the terms and conditions the seller and purchaser have agreed on.

**Conveyancing:** The legal process of transferring property ownership from seller to buyer.

**Covenant:** Conditions affecting the use of property or land written into the title.

**Deposit:** Approximately 10% of the purchase price placed in trust as evidence of intention to buy. Non-refundable after the contract becomes unconditional.

**Easement:** The right held by a person to use land belonging to someone else for a specific purpose. Mains, drains and water pipes are usually covered by an easement.

**Encroachment:** When a building overhangs someone else's property or a fence is built over the dividing line between two properties.

**Encumbrance:** A mortgage, easement or liability over a property impeding its use or transfer.

**Exclusions:** Any item not specified as part of the sale of the property. i.e. dishwasher

**Equity:** The difference between the market value of the property and any outstanding loans on the property.

**Freehold:** An owner's interest in the land where the property and the land on which it stands both belong to their owner indefinitely.

**Highest Bidder:** The person who posts the highest bid at an Auction will purchase the property provided the reserve price had been met or passed.

**Offer to purchase:** A formal legal agreement, which offers a specified price for a specified property.

**Passed In:** A property will be passed in at Auction if it does not meet the Reserve Price.

**Private Treaty Sale:** Sale of a property through an agent, involving private negotiations and contracts.

**Reserve Price:** The minimum price the seller has specified they will accept at Auction.

**Stamp Duty:** A state government tax calculated on sale price, varying between states.

**Settlement:** A date is set for the settlement of the sale. At this point the balance of the purchase price is paid and ownership of the property transfers from the seller to the buyer.

**Transfer:** A document registered at the Land Title Office and noted on the Certificate of Title, which verifies change of ownership of a property.

**Unconditional/Exchange of Contracts:**

When signed copies of the Contract of Sale are physically swapped between the seller and the purchaser.

**Vendor:** The seller

## Checklist

**Create a Wish List**

- How old is the property
- Size of the property
- How many bedrooms
- How many car spaces
- Do you want to renovate
- Type of property
- Location

**Organise Finance**

**Conduct Research**

- What other properties have sold in the last six months
- Ask your PRDnationwide agent for a research profile of the suburb
- Attend Auctions and Open For Inspections to see what is available
- Look at extra costs, council rates, proposed developments

**Inspect the Property**

- Do more than one personal inspection
- Conduct a pest inspection
- Check the outside pipes
- Check the lighting
- Open and close doors
- Find out about termite protection
- If necessary, get a second opinion
- Conduct a building inspection
- Look for any extra expenses
- Look for structural movement
- Do the taps creak and check the water pressure
- Does it need a coat of paint
- Does it meet your wish list

**Read the Contract of Sale (Or Vendor's Statement)**

It should contain:

- Rates; council, water, body corporate
- A copy of the title
- Building details, plans, restrictions, permits
- Any money owing on the property (mortgage)

Ensure your solicitor is given this document

**Make an Offer**

- Be prepared to negotiate
- Be persistent
- Don't become emotionally involved
- Do not exceed your highest price

**At Auction**

- Register as a bidder
- Ensure you have pre-approved finance
- Ensure all inspections are completed before the Auction
- Ensure you have reviewed the contract conditions before the Auction
- Set your price and don't get caught up in the excitement
- Ensure you have the holding deposit

**Conveyancing – The Legal Process**

- Exchange of contracts
- Cooling off periods
- Notice of sale
- Pay stamp duty
- Transfer of land

