HOME BUYERS GUIDE

Buy and sell with confidence, with our Home Buyers Guide.

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INTRODUCTION_

Buying and selling property can be challenging, even if you have bought and sold a home before. This is due to the fact that the real estate market is ever changing, and that interest rates rise and fall in order to curb inflation and to keep the Australian economy stable. Therefore, it is vital for you to know what your current personal and financial expectations and needs are, as well as your status. This will then enable you to make sound property buying and selling decisions that are cost effective now, and well into the future.

Market conditions are dictated to by changes in interest rates, unemployment and rises in the cost of living. Overall, the Australian economy and how we are financially situated as a nation will influence property buyer and seller demand. Therefore, if you're buying or selling a property, you need to be aware of market conditions and how these can have an impact on the sale or purchase of a property.

A seller's market is one that occurs when the demand for property is high, but there are not many properties available or on the market at the time you are seeking to buy or sell. This typically occurs on a suburb-by-suburb or town-by-town basis. If you're looking to sell in a seller's market, then you are more likely to get a higher price for your property. Of course, it's always important to realistically price your property when selling, otherwise it may remain on the market for longer and may not even sell at all. So, regardless of whether you are seeking to upgrade to a bigger property, looking to relocate due to work commitments or to use the equity in your existing property to start or to build on your existing property investment portfolio, it is essential that you know how to evaluate your current situation, how to negotiate, and how to achieve what you're aiming to do without leaving yourself light on funds.

If you're buying property, then it is more favourable to buy when the number of properties on the market exceeds the amount of interested buyers. This is referred to as a buyer's market. If you're buying at this time, you'll have a greater selection of homes to choose from and you should be able to negotiate a better price. When buying, make sure you take the time to find the right loan to suit your circumstances and goals, as this can possibly save you thousands over the term of your home loan.

The 'Home Buyers Guide' will cover how property costs, borrowing power, government grants and your savings dictate your ability to buy a property. You'll also be introduced to property loan types, features and sales contracts, so that you can better understand the property buying process and how to make this cost effective. Lastly, we'll look at how you can find the right property, and then buy it.

When it comes to selling, we'll discuss whether you should buy or sell first, how you can find the right real estate for you and just how much selling will cost you. We'll also help you to understand how to settle on a price for your property and how you can prepare it for sale.

So, regardless of whether you are seeking to upgrade to a bigger property, looking to relocate due to work commitments or to use the equity in your existing property to start or to build on your existing property investment portfolio, it is essential that you know how to evaluate your current situation, how to negotiate, and how to achieve what you're aiming to do without leaving yourself light on funds.

So what are you waiting for? Let's see what the world of buying and selling property is all about!

BUYING A PROPERTY_

Property Costs

When you buy a property there are many costs that are associated. While many of us are aware of stamp duty and other expenses, most of us fail to work out just how much these will be before buying. Plus, some property related costs can be unexpected and this can catch many home buyers' out and leave them scratching around to find the extra funds. Therefore, to help you avoid any hip-pocket surprises, we've listed all the property buying expenses that you'll possibly come across. This should allow you to budget better when buying your next property. Of course, it is important to note that not all of these costs will apply to all buying situations and that your own personal buying costs may vary depending on the purchase price of your property and the total amount you're borrowing.

1. Borrowing Costs

Lender application fees, property valuations and settlement fees are the most common borrowing costs you'll encounter. These costs can vary from lender-to-lender and are fees that you need to ask about before you apply for a home loan.

- **Application Fees** - Most lenders will charge you a fee to apply for a home loan. This cost covers administration costs and the drawing up of any contracts. Typically, you can expect to pay between $400 and $1,200 for an application. In some instances, lenders will waiver the application fee and you may find that you don't have to pay this cost.
- **Property Valuation** - A lender will usually demand that a valuation be carried out on a property prior to granting you home loan approval. This is so the lender can guarantee the property is worth the amount specified in the contract of sale, and that the property can be classified as a secure investment. When valuing a property, your lender will consider property structure and condition, property size and features, land size, how the property is presented, and council zoning and restrictions. Valuations typically cost $200 to $600. However, some lender's will include the cost of valuation in their application fee.
- **Settlement Fees** - Settlement occurs when your lender meets with the seller of the property you are purchasing or with the seller's legal representative, to finalise the purchase of the property. Some lenders will charge you a fee to attend a settlement meeting and there is usually a fee associated with the transfer of a property's title, mortgage transfer and stamp duty costs, which are payable at the time of settlement. The fees associated with these aspects of settlement depend on the state where the property is purchased and on the purchasing price. For example, the transfer of a property worth $300,000 bought in Western Australia costs $215.80, with a mortgage registration fee of $165.80, and no stamp duty. However, if the same property was bought in South Australia you could expect to pay $2,243 for the transfer of the property, $157 for mortgage registration and $11,330 in stamp duty.

In some instances, settlement fees can be costly. Therefore, it is important for you to estimate what these fees could amount to and for you to budget for these when you consider buying a property.

2. Building Inspections

A property can look sound, but upon further inspection can need a lot of work, with hidden repairs lurking in the walls and under floors. This is why it is suggested that a professional building inspection be carried out. This will typically cost between $200 and $800. However, some building inspections can cost as much as $1,000. This is why we suggest that you ask about fees and what the inspection covers before you book an inspection.

A building inspection should be carried by a builder or someone with similar qualifications, and you should only ask for an inspection on a property that you are genuinely interested in buying. If you are looking at buying at auction, then have the inspection carried out prior to the auction date. If you are buying via private treaty, then make sure that 'subject to building inspection' is written into the contract of sale when you make an offer on the property. This way, if the building inspection uncovers damage and costly repairs, you can either renegotiate the price to cover the cost of repairs or you can cancel the contract.

3. Insurance Costs

There are several types of insurance associated with property. These are as follows:

- **Building Insurance** - Cost depends on the value of the property and on your insurance rating - This insurance covers the property (bricks and mortar) against fire, flood and other damage.
- **Content Insurance** - Cost depends on the amount of cover you need and on your insurance rating - This type of insurance covers the property's fixtures and fittings from accidental loss.
- **Lender's Mortgage Insurance** - Cost depends on the value of the property - This can be a relatively high cost as it is calculated as a percentage of the total amount you borrow. Lender's mortgage insurance (LMI) is charged when you borrow more than 80% of a property's value. Lender's mortgage insurance covers a lender against financial loss if you default on payment of your home loan.

Costs vary depending on the value of your property and on the amount you borrow. For instance, if you buy a home valued at $300,000 and you borrow $280,000 to finance the loan, then you can expect to pay approximately $7,140.00 in lender's mortgage insurance. If, however, you buy a home valued at $200,000 and you borrow $180,000 you can expect to pay $2,718.00 in lender's mortgage insurance.

4. Legal Costs

When you buy a property there are two main legal costs involved. These include conveyancing and title searches, which are as follows:

- **Conveyancing Fees** - Cost $700 to $1,800 - A legal fee for the transfer of property ownership from one party to another. This fee also includes the dispersion of rates, utility charges and any other yearly fees that are payable on the property that has been bought.
- **Title Searches** - Cost $30 to 180 - A Government fee to find the property folio number and the land title deed that is held under the Land Title Act. This search ensures that ownership of the property is correct at the time of sale.

5. Pest Inspections

Pest inspections prior to the purchasing of a property ensure that it is pest free and that it does not have any existing pest damage that could be expensive to repair. Pests typically include rodents, possums and other vermin, cockroaches, ants, spiders, and white ants. Costs are around $300 to $600 in most cases.

6. Stamp Duty

This is a government fee or tax that is charged at the time of property purchase. Stamp duty is typically charged as a percentage of the purchase price. This fee varies from state-to-state according to government legislation and depends on the value of the property at the time of sale. For instance, a property worth $300,000 purchased in New South Wales will incur a stamp duty cost of $8,990.00. Whereas, the same property purchased in Victoria will cost $11,370. Therefore, it is important that you use a stamp duty calculator to estimate your stamp duty costs prior to buying a property.

YOUR BORROWING POWER_

Before you start hunting for a property, calculate your borrowing power. This will give you a guide as to how much you can afford to borrow and then repay monthly over the term of your home loan. You can calculate your borrowing power by using an online calculator. To use this effectively, you'll need to enter in the number of dependents you have, your net salary per month, any debts you have to repay monthly, such as car loan, and other accounts, and the combined total figure of your credit card limits.

Your credit card limits are considered as a liability by a lender as the full amount of your card can be accessed at any time. Therefore, even if you have no balance owing on your credit card, a lender will consider your card as at its maximum limit. The general rule of thumb for a credit card is that for every $1,000 of credit you'll lose around $4,000 in borrowing power. Therefore, a $2,000 credit limit will reduce your borrowing power by $8,000 and a $10,000 limit by $40,000. This is why some lenders suggest that you reduce your credit card limits prior to applying for a home loan, as it can allow you to increase your borrowing power substantially.

Let's look at how your assets, debts, income and savings can affect your borrowing power. The more you save, the less you need to borrow. This, in turn, can increase your borrowing power as you have less debt to repay and more equity. For instance, if you've saved $40,000 as a deposit, this is a 20 percent deposit on a $200,000 home. This means you are borrowing $160,000 and have $40,000 worth of equity in that property. However, if you save $80,000, this means you only need to borrow $120,000 for the same property, and that you have $80,000 in equity.

1. Your Assets

Assets are items of value that you own, such as cars, boats, holiday homes and motor bikes. Often a lender will ask you about these assets, how much they are estimated to be worth and what you owe on them. The more assets you have, with less owed on them, the less of a risk you represent for a lender when it comes to borrowing money for a home loan. Why? Well, lenders look at assets in terms of security, which can be used to recuperate their costs if you default on home loan repayments.

2. Your Debt

Debt is the amount that you owe and that you are obligated to repay. This typically includes car loan repayments, store accounts, credit cards and the cost of living, such as food, utility bills and the running costs of your car. A lender will allocate a certain amount to each when working out your borrowing power. Therefore, the less debt you have, the better your borrowing power.

3. Your Income

Income includes money received on a regular basis, for work or through investments.. This can be payments for work, any government benefits, child support or dividends from accounts, and shares and other investments. The greater your regular income, the greater your borrowing power. If you're considering buying a property with one or more people, then make sure the income of all parties is included as this will increase your buying power.

4. Your Savings

The more you save, the less you need to borrow. This, in turn, can increase your borrowing power as you have less debt to repay and more equity. For instance, if you've saved $40,000 as a deposit, this is a 20 percent deposit on a $200,000 home. This means you are borrowing $160,000 and have $40,000 worth of equity in that property. However, if you save $80,000, this means you only need to borrow $120,000 for the same property, and that you have $80,000 in equity.

5. How a Broker Can Help

A mortgage broker helps you to understand not only the home loan process, but also how to maximize your borrowing capacity before you apply for a home loan. A mortgage broker also takes the hard work out of property buying and works with a lender on your behalf. They'll offer you home loan comparisons and will be able to find you the most affordable home loan with the features you're looking for. Most brokers won't charge you an upfront fee for their service. Instead, they earn a commission over the term of your loan, which is paid by the lender you choose to finance your home loan with.

6. Loan Pre-Approval

Gaining home loan pre-approval saves you a great deal of time and frustration. There's nothing worse than finding a home you love, only to find that you cannot afford it or that a lender won't finance the deal because they consider you too much of a risk.

Once you've used the borrowing power calculator, saved your 20 percent deposit and you're ready to take buying to the next level, then contact a broker to find the right home loan for you. Gain pre-approval subject to finding the right property. This way you can make an offer subject to 'finance' and feel confident that your lender will approve the home loan.

GRANTS AND SAVINGS PLANS_

If you're a first home buyer, then most states have grants and also savings plans that can help you get into your home faster. For those who have bought a property previously, you can look at term deposits and high investment accounts as a way to save a deposit faster. Let's look at these aspects in greater detail.

Government Grants

The First Home Owner Grant (FHOG) scheme came into effect in July of 2000. This scheme was introduced to help first home buyers with the costs of buying their first home and to help offset the effect of GST. This scheme is funded by state and territory governments so it is continually changing, however it has assisted many people to reduce the cost of stamp duty and other government charges. Under the FHOG scheme a one-off grant is available to a home buyer who has not purchased a home before. This is providing they meet eligibility criteria. The FHOG is as high as $20,000 in some states, however this applies to new homes and off-the-plan purchases. Those looking to purchase an established home are not able receive a grant as established homes no longer fall under the guidelines. To see if you're eligible and just how much you may be entitled to visit FHOG online.

1. Government Savings Plan

The government First Home Savings Plan (FHSA), was abolished in July 2015. However, if you have an account you can still make a claim for government benefits until 30 June 2017. To find out more, please visit https://www.ato.gov.au/Individuals/First-home-saver-account.

2. High Investment Accounts

High investment accounts are savings accounts that incur a higher rate of interest for sums of money that are held in the account over a specified duration. Most high investment accounts require you to keep a minimum amount in the account and you'll only be able to make a withdrawal once a month, otherwise you'll incur a charge. Interest rates vary depending on the type of account you have. An online account will give you between 0.5 and 1.2% interest. Whereas a cash management account can pay up to 2.25% in interest. Of course, interest rates fluctuate depending on the current economic climate and on the official cash rate. Plus, all financial institutions have varying terms and conditions, so be sure to read these when comparing accounts and before selecting one for you.

3. Term Deposits

These types of accounts have a set and forget philosophy, where you deposit a sum of money into an account for a fixed term and an agreed interest rate. After this time has elapsed, you can elect to withdraw your money and used it, to reinvest your money for another term, or to take your money and invest it elsewhere. Terms for these types of accounts range from 1 to 5 years and the interest rate varies between 0.87 and 3.5 % for the term of the investment period. The money typically cannot be withdrawn until the end of the term, and interest is paid either monthly, quarterly, yearly or at the end of the term.

CHOOSING THE RIGHT LOAN_

Wading your way through hundreds of various home loan products and packages can be a daunting task, especially when you are trying to compare these. This is why we recommend working with a mortgage broker. A good broker will have comparison software that makes comparing home loans effortless and they'll also have a vast selection of lender's and products on their lending panel. This should help make your decision easier.

When it comes to home loans there are basically two factors that you need to consider. The first is how much you wish to borrow (principal) and the second, how much you'll have to pay back (interest). There are several different home loan types. These come with different lending terms and conditions, as well as features. Let's look at the most common ones you'll encounter.

Equity Loans

This type of mortgage allows you to access the equity that you have built up in your home. The equity in your home is the value of your home less the money that you owe on it. For example, let's say you bought a home for $200,000 20 years ago. Over that 20-years you've paid $150,000 off your mortgage, so you now only owe $50,000. However, over that 20-years your home has gained in value. When you have your home valued its estimated worth is $500,000. This means that you have built-up $450,000 in equity over the years of ownership.

Equity Loan Advantages

- You have access to the capital value you've built-up in your home without having to sell the property to gain access to this equity.
- You can invest now and pay the money back over time.
- You can take out a loan that gives you flexibility with your payments.

Equity Loan Disadvantages

- The interest paid on this type of loan can be much higher.
- The estimated value of the property can depreciate, which means that the loan security becomes less.
- If the property sells and the equity used is more than it's worth, then you can be left with a rather large bill to pay off.
- Your loan repayment amount will become more and you may find it harder to pay.
- If interest rates go up this can put you under financial stress, especially if you cannot afford to make repayments.

Fixed Loans

The rate of interest payable on this loan is fixed. Usually the terms available are from 12-months up to 5-years.

Fixed Loan Advantages

- You know what your home loan repayments will be monthly.
- It is easier for you to budget.
- You don't have to be concerned about changes made to the official cash rate.
- There is less financial stress.

Fixed Loan Disadvantages

- The interest rate can be higher than variable rate home loans.
- Your interest rate won't fall when the official cash rate does.
- You cannot get out of the loan before the term ends without incurring a penalty.
- Special features such as redraw facilities and the ability to make extra loan repayments are not available.

Interest Only Loans

These loans allow you to pay just the interest on your loan and to not pay anything off the principal. The principal of the loan is paid off when the home is sold.

Interest Only Advantages

- Monthly repayments are less.
- This type of loan gives you greater cash flow if you're an investor.
- The loan reduces your financial stress.

Interest Only Disadvantages

- The interest payable will not reduce as the principal of the loan will remain constant over the loan term.
- More interest will be paid over the term of the loan.

Line of Credit Loans

This is a loan for a pre-approved sum of money, which is secured by an asset such as a property. This money can be used to finance a number of different projects. You can buy one, two or even three investment properties, a car or even a holiday with this type of loan. It's basically like having a credit account.

Line of Credit Loan Advantages

- You pay interest only on the money you use.
- The funds are held in an account that can be accessed whenever you like.

Line of Credit Loan Disadvantages

- You need to have excellent money management skills.
- You need to be able to afford repayments as you use the funds.
- You need to budget so you can pay off the principal and the interest.

Low-Doc Loans

Typically, this type of loan is used for individuals who are self-employed who don't have the required financial documentation usually needed to secure a loan. This type of loan can have a fixed or variable interest rate.

Loc-Doc Loan Advantages

- If you don't have a recent tax assessment or other financial documents (e.g. business statement) you can still apply for a loan.
- This type of loan makes home loans accessible for self-employed individuals.

Low-Doc Loan Disadvantages

- The interest rate is typically higher for this type of loan as the lender's risk is greater.

Principal and Interest Loans

A home loan where you pay off the principal and the interest on a regular basis. This can be weekly, fortnightly or monthly.

Principal and Interest Loan Advantages

- You reduce the debt owed with every payment and this reduces your interest.
- You can make extra repayments.
- Variable and fixed rates are available.
- Greater flexibility.

Principal and Interest Loan Disadvantages

- Your cash flow can be reduced.
- Payments can be larger.

Split Loans

This loan allows you to fix a portion of your loan and to let the rest be variable.

Split Loan Advantages

- Access to loan features.
- Allows you to budget long-term.
- You can elect how much or little of your loan you split.

Split Loan Disadvantages

- The variable portion of your loan repayment can rise.

Variable Loans

This type of loan has a variable interest rate that fluctuates with the official cash rate over the term of your loan.

Variable Loan Advantages

- When the official cash rate drops so too does your repayment amount.
- Interest rates are typically lower than fixed rates.
- You can pay off your loan faster by making extra repayments.
- You can have loan features such as redraw facility and an offset account.

Variable Loan Disadvantages

- Your repayments can go up if the official cash rate rises.
- Basic variable loans can have cheaper interest rates, but less features.
- If the rates rise significantly this can add a great deal of financial pressure.

LOAN FEATURES_

Home loan features are all about flexibility and can reduce your costs if you use them effectively. However, home loans with features typically incur a higher rate of interest or monthly charge. This is why it is important for you to consider whether you'll use the feature often enough to warrant the additional cost, or whether it is more cost effective for you to select a basic, no frills mortgage with no added features. Some of the features you'll encounter are as follows:

Direct Debit

An automatic payment made by you to your lender, at a specified date, for the payment of your home loan. This gives you peace of mind and allows you to not be overly concerned about making payments yourself or forgetting and missing payment dates.

Extra Payments

Some loans will allow you to make payments outside of those that are due. This means that you can make lump sum payments, pay more frequently such as weekly or fortnightly or even pay more when your loan payment is due. Overtime this will reduce the interest that you pay by thousands of dollars.

Redraw Facility

This acts as a savings account, where you can pay extra money off your home loan, but if you need this money you can borrow it from your home loan. In most cases, you can build your redraw account up to $80,000. But, you need to bear-in-mind that any money you draw from your redraw account will be charged at your current home loan interest rate.

Offset Account

An everyday transaction account that is linked to your loan. The amount that is held within this account is taken off your home loan principal. This, then, reduces the amount of interest that you pay. Just be aware that this type of home loan feature can incur a fee so make sure you ask about any associated costs before signing up for this feature.

SIGNING LOAN CONTRACTS_

It is important to read everything in a home loan contract before you sign it. Never assume that a contract is correct. Instead, take your time and read through the document. Ask questions if you don't understand anything and make sure you quiz your lender or broker if you're not clear on wording or any terminology. Also make sure you know exactly what charges, comparison rates and loan features you are getting. Let's look at these in greater detail now.

Charges

Your lender may charge you a monthly fee for your loan, an application fee, settlement fee and other charges. These should be disclosed in your contract. Make sure you check that these are accurate and what you were originally quoted. If you're electing to go with a fixed interest rate, make sure you understand exit fees and how these work.

Comparison Rates

It is mandatory that a lender or broker offer you comparison rates so that you can see what different loan products offer you, before making a final decision. Your lender or broker should be able to give you an estimation of your long-term costs, such as what fees and charges are incurred over the term of the loan, what interest rate you'll be paying and your loan term options.

Loan Features

You are able to select a number of money saving loan features, but these typically come at a cost. So you need to work out if the cost of these features out-weighs the amount of money you can save by using them. If so, then you may be better off selecting a no frills loan with no additional features, this will then give you a lower interest rate.

FINDING THE RIGHT PROPERTY_

Finding a property that is suitable to buy is never easy. You want to make sure that you are getting value for your money and that the property will make a good return on your investment over the years of ownership. Now, while this sounds easy enough, it will take time, patience and research into the property market to ensure that you find the right property. The aspects that you'll need to focus on are as follows:

Location

A good location is a must when buying any real estate. Location adds value and is a big consideration for home buyers and investors. In terms of real estate value and lifestyle a property should be near amenities, in an aesthetically pleasing area and not far from work, school and other daily necessities. Before you start looking for a property, make a list of the suburbs or regional locations you're wishing to buy property in.

Property Features

Once you've decide on your location, then sit down and work out what features you want the property to have. Make a list. Write down your necessities first. These are your 'must haves'. Then list those features that you'd like. Let's call these 'wants'. For example.

Must Haves	Wants
3 bedrooms	Stainless steel kitchen fittings
2 bathrooms	Quality fixtures and fittings
Double carport	In-ground swimming pool
800 square metre block	Spa
No older than 10-years	Outdoor entertaining area
Modern kitchen	Alfresco dining
Modern bathrooms	1200 metre squared block

Comparisons

Go to realestate.com.au and domain.com.au and look at home sales in the locations you've selected. Search for homes in the locations you're seeking and with the features you 'must have' then compare prices. Print out any data you want to keep. Write down the highest and lowest prices, what features the homes have and the median prices.

Do a lot of research and look at market trends. Make a list of open inspections and auctions and once you have attended, compare the features of each property.

Loan Pre-Approval

Once you feel you're ready to buy, approach a broker or a lender and start the home loan pre-approval process. This will allow you to confidentially make an offer when you find a home. Plus, it can give you an added advantage when viewing open inspections, as you can beat the competition to a good buy. Pre-approval can also allow you to avoid any heartache as you know exactly how much you can borrow and that the lender is willing to assume you as a risk.

Buyer's Agent

A buyer's agent is a real estate agent that helps the buyer find the property that they are looking for. Basically, you give the real estate agent a list of your requirements and they do the searching on your behalf. This service comes at a price, so make sure you ask about fees before you go ahead and enlist their services.

The benefits of a buyer's agent are many. They can save you not only time, but also money, and they can negotiate on your behalf so you don't have to haggle.

PURCHASING A PROPERTY_

Buying a property can be frustrating and time consuming. You'll also need a keen eye for detail and a willingness to plan and conduct research if you're going to ensure that you buy a property that is worth value now and well into the future.

When buying always think with your head, rather than your heart. Look beyond the aesthetics of a property and put logic and practicality into motion. This will allow you to look at the property objectively; to see its faults and floors, as well as its good aspects and to weigh-up whether or not this property is for you. When you find the right property there are a few things you need to know about buying. These are as follows:

Auctions

To be successful at an auction you need to have your finances in order, know what your budget is and, have good negotiation and discipline skills. Don't get caught up in the excitement, otherwise this can be costly.

An auction differs to a private treaty (listed sale) when it comes to buying, in that if you're the winning bidder you'll need to pay a deposit, usually 10 % of the asking price, on the day of the auction. There is also no cooling off period and the contract does not have negotiable terms as it is fixed prior to the auction on the vendor's (the seller) terms.

If you're looking to buy a home at an auction, then make sure you visit other auctions beforehand. This gives you a taste of what you can expect and helps you to remain calm and confident when bidding. Here are a few tips to help you bid well at auction:

- Visit open inspections for the property that is being auctioned.
- If you feel this is the right property for you, then ask the agent for a copy of the contract.
- Read the contract and have a legal representative check it in detail.
- Arrange for a building and pest inspection to be carried out prior to the auction.
- Get home loan pre-approval.
- Decide on a maximum amount you're prepared to bid.
- Some states require you to register for an auction. So make sure you take identification, such as your driver's license and your cheque book to pay for the deposit.
- Hang back at the auction.
- Wait until the property is on the market before you start to bid.
- When a property is on the market it has reached its reserve price and it will be sold.
- Be firm when you bid.
- Stay within your budget.
- Bid what you are comfortable with and in amounts you feel confident dealing in. If the auctioneer is suggesting $5,000 bids and you feel confident with $1,500, then bid this amount.

If you're the highest bidder, then you'll need to sign the contract for the property and hand over your deposit on the day. If the property doesn't reach the reserve price and it is passed in, you can then negotiate a price with the vendor's agent.

Contracts

The contract of sale is a legally binding document that states you and the vendor are entering into an agreement to sell/ buy a property. A contract is then prepared by the seller's agent and you should have a legal representative check the details. Zoning laws, heritage laws and other restrictions or any other encumbrances need to be checked to make sure that these don't clash with your intended use of the property. You also need to check sales prices, any taxes due on the property and that the seller is legally able to sell the property. You should also arrange to carry out any inspections that need to be carried out. Make sure you put your subject to conditions in the contract if you need to have anything carried out prior to purchasing the property. If you're buying via a private treaty, the most commonly added 'subject to' clauses are as follows:

- Finance
- Building and pest inspections
- Sale of existing property

Cooling-Off

Cooling off is typically a time where you can change your mind about buying a property without incurring a hefty penalty. However, in some instances, there may be a financial cost of some kind to get out of a contract. Cooling-off is typically associated with a private treaty. Periods are usually between 3 to 7 days, but these vary from state-to-state.

Private Treaty

This is when the seller of a property (vendor) sets an asking price for the property and then waits for an interested party to make an offer to buy the property. This is done by either speaking directly with the vendor or the vendor's real estate agent. When you negotiate to buy a property via private treaty, you will typically make an offer, if this is accepted then you'll sign a contract and pay a deposit. The sum of the deposit is usually set by the vendor's agent and the deposit acts as an indication that you are genuinely interested in making a purchase.

Settlement

This is the time when lenders meet and property exchanges hands. Typically, a conveyancer is hired to carry-out legal proceedings and your lender works directly with this person to ensure the property is dispersed of correctly.

The time between purchase and settlement is typically 6–8 weeks. However, you can agree on a settlement period with your vendor. Once you've signed the contract, contact an insurance agent and insure the property against lose from the date of settlement. Then arrange to organise your finances.

The keys and title deeds are handed over when loan settlement occurs. This usually happens at the same time as property settlement. This is when the lender transfers the money you have borrowed to pay for your home. Stamp duty is paid at this time and you must have the funds available to pay for this or you should have arranged for your lender to pay this on your behalf.

SELLING A PROPERTY_

Selling a property isn't as simple as walking out the front and placing a 'For Sale' sign in your front yard, then sitting there and waiting for buyers to come knocking on your door. There is a particular process that needs to be followed to ensure that everything flows smoothly and is carried out within legal parameters. The process is relatively straight forward and typically goes as follows:

- Decided to sell;
- Choose an agent;
- Decide on how you wish to sell;
- Determine selling price;
- Sign an agent's agreement who'll then prepare a contract of sale and a vendor's statement;
- Advertise the property;
- Hold open inspections;
- Negotiate a price and sell the property;
- Sign the contract of sale; and
- Wait for settlement of the property.

Why are You Looking to Sell?

There are many reasons why an individual or couple will look to sell their home. The most common reasons are as follows:

1. Downsizing

This is when you decide to move to a smaller property. This typically occurs as children grow-up and move out of the home and the family property becomes too big for the people who are left behind. The hardest aspect of downsizing is getting rid of the clutter that you've accumulated.

2. Investment

This is when you buy a property to rent out rather than live in. Houses and units are the most popular purchases made and these are long-term commitments that come with risk, such as fluctuating interest rates and poor paying tenants.

3. Relocation of Work

Relocation can occur when your work place is moved, you get a promotion that is situated in another town, city or state, or you deciding to change jobs. Relocation for many people can be stressful, unless you plan ahead. To avoid this, work with your employer to negotiate a relocation package that will make the transition a much smoother process.

4. Renovations

Rather than moving house, many people decide to renovate their existing property. This is because they can't find a property that is affordable or they don't wish to move to a new neighbourhood. If you love your existing home, but feel it needs a freshen up, then renovating may be for you.

If you're going to renovate then you'll need to stick to a budget, have a tradesperson/ people to assist you and set yourself time frames for completion. There is nothing worse than a half finished renovation.

5. Upsizing

Many of us start out with a home that is affordable. This usually means a starter home in an okay suburb. But, it doesn't mean that it is your dream home. A dream home takes longer to achieve. This means that for many people as they gain better employment and grow personally, financially and as a family that they look to buy bigger and better homes. This can mean selling a unit to move into a house or moving from a 2-bedroom house to a 4 to 5 bedroom house due to more children coming along.

SHOULD YOU BUY OR SELL FIRST?_

Ideally you'd like to sell your existing property at the same time you buy your new one. But, in reality, this is highly unlikely to happen. You, therefore, have to make a decision whether to buy or to sell first. Let's look at these in greater detail.

Buying First

If you buy a new home before you sell your existing home then this comes with advantages and disadvantages, these are as follows:

Advantages

- You won't have to look for alternative accommodation while you go in search of a home
- You can take your time looking for a home and not feel rushed.

Disadvantages

- You'll need to estimate how much you'll get for your existing property so you can budget to buy your next property.
- You may find you'll need to except an offer on your existing property that is lower than your expectations.
- You may be forced to get bridging finance to cover both property mortgages, if your existing property does not sell.

  A bridging loan or finance offers you fixed and variable interest rates and interest only repayments. Most have short terms of 6 to 12-months, but can go for as long as 5-years. Typically, interest rates are more expensive. The lender will decide on risk and set an appropriate interest rate. In most situations, you'll be borrowing 100% to finance the second property. Therefore, you'll need enough equity in your existing property to cover both properties so that you avoid paying lender's mortgage insurance.

Selling First

Sell your existing home before you buy your next.

Advantages

- You can wait for the price you want on your existing property.
- You won't need bridging finance.
- You reduce your risks.
- You'll have an exact budget.
- You can take out a longer settlement so you can have time to find a new home.

Disadvantages

- You may have to find alternative accommodation if you don't find a new home before settlement takes place on your existing property.
- Property prices may rise before you find your next home. This means that your money won't be worth as much when it comes time to buy.

FINDING THE RIGHT AGENT_

Not all real estate agents are created equally. Some are hardworking and seek to do the very best they can for their clients, by advertising the property, hosting open inspections and then following-up potential buyers by talking to them. While other agents just carry out a job. Therefore, when it comes to selecting an agent you need to conduct some research.

Consider local real estate agents you know or have dealt with in the past. Ask friends, family and work colleagues about local agents. Look in local papers, search online. Then phone up 2 to 3 local real estate agents and ask them to visit your property to give you an evaluation.

When the agent visits ask them the following questions:

- What do you estimate the property can sell for?
- How have sales in the area gone recently? - compare sales/statistics.
- What is the best method of sale and why?
- How do you suggest that the property is marketed and what costs are involved?
- How much will you charge and what does this cost cover?
- What is your sales philosophy?
- Do you recommend making any property improvements?
- What's your recent sales record like?

Other aspects that you need to focus on when talking to each agent are as follows:

Ability to Communicate

During conversation make sure you get on well and that you feel comfortable with this person. If you don't, find another agent.

Background

Next do a little background research into the agent. Compare them to the other agents who have valued your property. Take note of the agent's knowledge and take note of commissions, prices and fees that they are asking you to pay. Just remember the lowest price is not always the best in terms of value for money.

Compare Fees

Commissions need to be fair and balanced. Too low a commission, and the agent won't want to work effectively to sell your property. Too high, and it's not cost effective on your part. A fair and balanced fee is often the best for both parties.

Sales History

Look at how many properties the agent has sold recently and consider where these properties were located and their features. Then compare these to your property. Take your time and really sound your real estate agent out.

SELLING COSTS_

Real estate agencies and individual agents have varying costs. This is why it is important to ask about these before selling so that you don't pay up-front and the receive very little for that cost.

Agent Fees

Agents typically charge you a commission of the sales price to sell your home. Agent's fees range from 1.5% to 6% of the selling price of a property. A fair and realistic fee is usually set around 2.5 to 3 %. You can, if you are self-motivated and a people person who is an excellent negotiator, consider selling the property yourself. This can possibly save your thousands in commissions.

Advertising Costs

Advertising varies from agent-to-agent and depends on the advertising medium that you are electing to use. Some agents will charge you for each advertisement as it is published. Others will charge you an up-front, lump-sum advertising fee. Prices can be expensive, and can add-up, so make sure you are aware of costs before you agree to any form of advertising.

Property Repairs

When you go to sell your home it should always be presented in the best possible condition. So if you have old, tired paint on the walls and ceiling, or holes that need to be fixed, then take the time to clean it up and do a little painting. This can add value to your property and can also encourage buyers to make you an offer. Why? Well, unless a buyer is willing to do a little hard work and has some spare funds, then most will believe that too much work and money is involved in order to bring your property up to scratch.

SIGNING AN AGENT'S CONTRACT_

Once you've decided on the agent, then it's time to sign-up with them. This means entering into an agreement with them and giving them authority to sell your house. This authority is a legally binding contract which should include:

- Commissions payable.
- The selling terms.
- The cost of advertising.
- The sales price agreed upon or price range and the reserve price, if the property is being auctioned.

Auction Verses Private Treaty

Your real estate agent will often recommend a sales method. Private treaty is when you set a sales price for your home and buyer's then make you an offer with the agent negotiating on your behalf. When you decide to auction your property, it will go on the market at a specific day and time, and interested parties will then attend the auction. This can, in some cases, encourage buyers to act quicker. An auction typically costs more than private treaty in fees. Your real estate agent should be able to suggest which method of sale is best for you and your circumstances.

Agent Responsibilities

Your agent is responsible for:

- Creating and managing a market campaign for the sale of your property.
- Managing and advertising open inspections.
- Dealing directly with potential buyers.
- Following up leads.
- Managing the auction.
- Setting up a trust account for the deposit.

SETTING THE RIGHT PRICE_

Your agent can help you to establish a realistic price for your property. This is usually done by looking at past sales of properties with similar features in your area.

Compare Features

The size of the home and land, location, quality of fixtures and fittings, and the additional extras that your property has all add value to its price. Other aspects include the age of the property, its condition, the quality of its finish and the age of fixtures and fittings.

Know Your Financial Needs

Before you establish a selling price for your home and put it on the market, know what you need financially to buy your next home and to cover the costs of selling your existing property. Ideally, you want to cover stamp duty and other buying fees as well as agent commissions, advertising costs and other expenses, and to come out with the most amount of money in your pocket. It is also important to remember that if your property is investment based then you'll have to pay capital gains tax when it is sold.

Negotiation

Your real estate agent will suggest a price to you for your property. This price is 'suggested', so you can discuss this. You may even wish to adjust the price according to your own research. Just remember prices need to be realistic to attract buyers and that you'll need room for negotiation, as most people interested in buying a home will haggle on price to get themselves a better deal. If you want $300,000 for your home, don't put it on the market for this price. Instead, put it on the market for $320,000. This then leaves room for negotiation.

PREPARING YOUR HOME FOR SALE_

Most people buy a home that appeals to them and one that they can see themselves and their family happily living in. Home buyers are emotionally motivated and this means that as a home seller you need to set the mood and present your property well so that it appeals to buyers.

If you don't have time to clean your property and make it look its best, then hire someone who can. This can make the difference between a sale at your price or no sale at all.

Before an Agent Calls

- Clean up the yard.
- Move old, tired fixtures/ fittings.
- Paint walls/ ceilings, if they are marked or dirty.
- De-clutter your home.
- Clean the inside of the house.
- Wash windows.
- Polish floors.
- Turn on an air freshener.
- Overall, make sure all areas of your home are well presented.

For Sale: Outside

- Fix peeling paint.
- Get rid of surface rust.
- Clean away cobwebs.
- Sweep up leaves.
- Pick-up dog droppings.
- Put dog kennels in an out-of-the-way area.
- Trim any unsightly trees and plants.
- Clean the pool area.
- Clean garaging.
- Paint and replace anything that is water damaged.
- Repair gates, doors and windows that don't close well.
- Weed.
- Fix uneven paving/ concrete.
- If your plants are grey rather than green, then visit a nursery and invest in some affordable plants. Fill in gaps in your garden.

For Sale: Inside

- Air out the house.
- Use a self-pumping/ dispensing air freshener.
- Paint if you need to.
- Cover carpet stains, floor, cracks and other stains or imperfections on floor rugs, furniture or pot plants.
- Clear out clutter.
- Remove some furniture to create a feeling of space.
- Don' t smoke inside.

Just Before Open Inspections

- Clean the inside of the home thoroughly.
- Open blinds and windows and let in the natural light.
- Turn the lights on in darker area of the home.
- Heat cooler areas of the house and cool hotter areas.
- Don't leave out any valuables.
- Put out fresh flowers, especially in the entrance of your home.
- Leave out a magazine or newspaper to give your home that homely feel.
- Fresh coffee and baking bread always leave a lovely smell in a home, so get baking and brewing just before an open inspection.
- Don't overdo sprays and other devices that leave a scent, as some people have allergies and asthma.
- Never be present at your own open inspection.

When the Home is Sold

Make the transition into your old home as welcoming as possible. You know what appliances do what and how they best operate, so leave the new owner with a few hints and tips. Make sure you leave the new owner with instruction manuals for appliances, along with any warranties. This includes ovens, pool pumps, generators, septic tank systems and gas connections. In addition, make sure you leave the new owner keys to gates, sheds, roller doors and other out-buildings, as well as the remote to the roller door, if it's automatic. If you have an alarm or pool equipment that is a little tricky to operate, then leave a note on operation. Overall, make sure you leave the home clean and tidy.

Congratulations! That's it. You now know the basics of buying and selling property, and this brings us to the end of this title. We hope that you have gained some valuable insight. If you feel you would like some additional information or that you would like to talk to a mortgage broker about your home loan options, then please contact us. We are always available to answer your questions and to assist you to meet your financial aspirations. Until then, happy researching.

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