



# PATHWAY TO BUYING YOUR HOME



*At Professionals Real Estate  
Group, we never forget how  
exciting it is to buy a home!*







## Pathway to buying your home

At Professionals we never forget how exciting it is to buy a home. You're making plans for the future, choosing a home in an area that appeals to you, and investing in one of the safest methods for acquiring wealth. At the same time, the event can be a daunting experience if you don't have sound knowledge and understanding of everything that's involved.

In this easy to follow booklet, we've simplified the whole process by taking you step by step through all the stages of buying a home. We provide practical information on finance, understanding the market, finding a property, what to look for when buying an established home, strata title, buying a block of land, as well as the offer, acceptance and settlement process.


So sit back with a cuppa, grab a notepad and pen and spend a few minutes reading Pathway to Buying Your Home.

## How to organise your finance

Few people can afford to buy a home without borrowing money. What's more, there's no point looking seriously for a home until you know just how much you can afford to borrow. Once you know how much money you have to spend, stick to your limit and be realistic. There's no point having a beautiful home to live in if you don't have any money left over to eat.

Remember, the price you pay for your home is not the only cost involved. Some of the additional little extras you need to take into consideration are legal fees, building reports, stamp duty if applicable, mortgage insurance, moving costs, property valuation and insurance.

You could go directly to a financial institution such as a bank or a building society and make a home loan application. The reality is that they will usually provide you with one of their home loan options and this may not necessarily be the right one for you. Given the number of home loan products on the market, you may prefer to talk with a mortgage broker who is registered with the Mortgage and Finance Association of Australia or the New Zealand Mortgage Brokers Association. Mortgage brokers are independent and specialise in finding the most appropriate home loan for you.



You may be eligible for government or local grants, so be sure to ask your agent for more information.

Ask your Professionals agent about your finance options. We can put you in touch with a recommended Home Loan specialist.

## How to make a home loan application

It is likely that the person who'll be assessing your home loan application won't know you in a personal capacity. Your application will be one of many that they'll be reviewing every day. You'll be assessed solely on the strength of your application and your ability to meet your home loan commitments, both now and in the future. You'll discover there are lots of questions to answer, some of which you may not have thought about before. But it's important that you spend the time to gather the information needed to give yourself the best chance of getting your application approved. Here are some common reasons why applications are rejected.

- Applicants underestimate the value of their possessions.
- Applicants do not include all their assets.
- Applicants do not submit enough documentation to substantiate income.
- Applicants are over-committed with repayments (ie, credit cards and car loans).
- Applicants have a poor history of saving.



## Buy first, or sell first?

The prospect of selling your house before you have established where you are going to move to, may seem daunting at first. But the truth is a huge number of home hunters find the property they want within a relatively short time. So don't be afraid to sell first – then buy. This means you will have your financial arrangements already taken care of and you have the freedom to bid at auction, or to make an offer knowing you are in a strong position to negotiate on price and time.

There are two major financial considerations to buying before selling.

1. If you make an offer on a property before your house is even on the market, the seller of the property you want is less likely to be willing to negotiate on the price or the terms.
2. Selling your house as a condition of contract to buy another, usually means you have very limited time in which to complete a sale for your existing property. This means you can be under pressure to accept a low market offer.

## Understanding the market

Over a period of time the property market fluctuates, so it's helpful to know what sort of market is prevailing when you are looking to buy. Knowing the current market gives you an indication of what sort of properties are being sold, how quickly and for how much. Each type of market has its own set of characteristics.

### Buyer's market

- The number of properties on the market are greater than the number of buyers.
- Properties usually take longer to sell.
- Prices are stable or sometimes they fall.
- Buyers often dictate the selling price.

### Seller's market

- The number of buyers exceeds the number of properties available for sale.
- Properties sell faster.
- Prices generally rise.
- Sellers may receive offers from more than one buyer.
- Sellers gain prices closer to the listed price, or over it.

### Balanced market

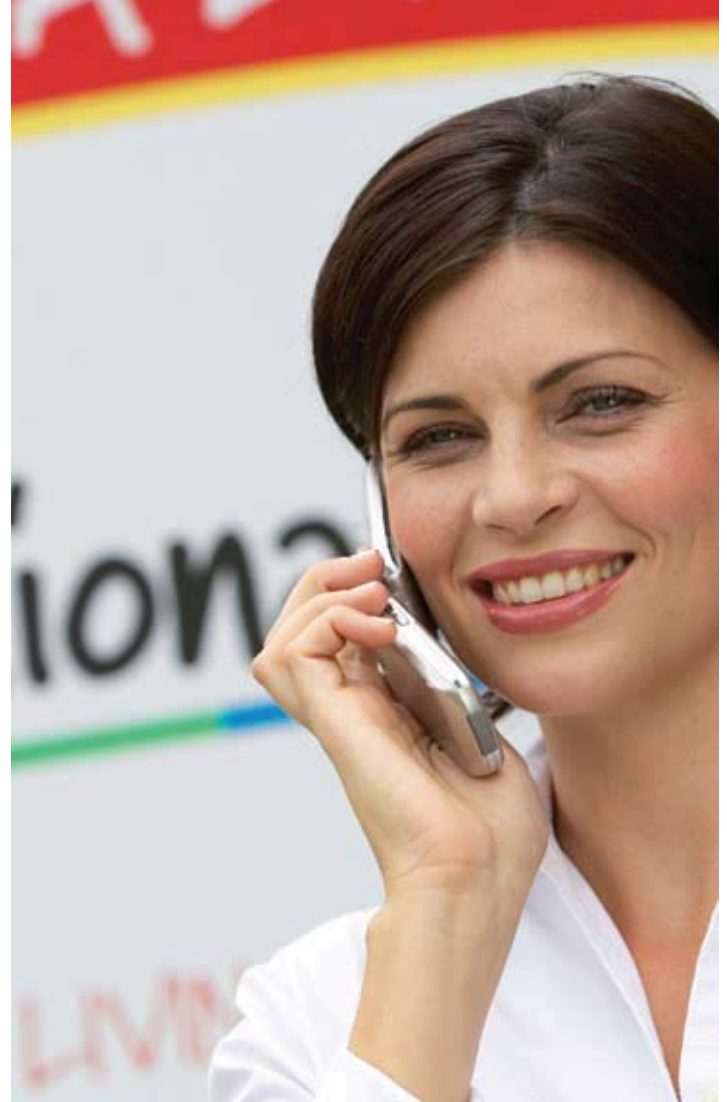
- The number of properties for sale is about equal to the number of buyers.
- Sellers will consider reasonable offers.
- Prices are generally stable.
- Properties sell within a reasonable time.
- A good number of prospective buyers see the property.

### Seasonal factors

There are generally fewer properties for sale during the winter months, Spring traditionally being the time of year when more people list their property for sale. However, personal circumstances is one of the most important factors and homes are bought and sold throughout the year. So don't let the season stop you from looking and if you find the right property for you, from buying.

## Find an experienced real estate agent

Find a real estate agent who specialises in the neighbourhoods that you want to live in. As you look at the homes they are selling, talk with the agent and explain the type of home you're looking for and give them an idea of what you can afford and your priorities. Importantly, choose and build a good rapport with an agent, one who will seek the property you want, understand what is important to you and who is willing to listen and go the extra mile to find the right home for you.



## Starting your property search

The first step is to make a list of what you are looking for in a property. Think about your plans for the future. Are you planning a family? Do you intend to have pets? Do you like to entertain? Do you want a swimming pool? Just remember that the more particular you are, the more difficult it will be to find the right home. Some considerations are:

- Price Range
- Locations
- Type of property (eg townhouse, apartment, unit, house, acreage)
- Proximity to amenities like schools, shops, public transport, work
- Property size (land and home)
- Number of bedrooms
- Garage and storage
- Views

Prioritise the list into "needs" and "wants".

Make sure you do your homework. There are thousands of properties for sale every week so you don't need to rush in and make an offer on the first one you see. If there's an area you'd like to live in, take the time to inspect a reasonable number of homes to give yourself a true understanding of the market value of the properties and area you're looking at.

It's always a good idea to keep a list of the properties viewed and their features, even take a photo so you can remember them in more detail. In searching, the first homes you see can quite often, in retrospect, have more appeal as your market knowledge increases. At other times your first impressions will help you define your priorities and preferences.

To broaden your search, drive through an area and surrounding suburbs, refer to local newspapers, weekend papers and the internet to draw up a shortlist of properties that best meet your expectations on price, location and features. Remember, others will be looking and well priced properties can sell within days, so you need to be looking on a daily basis.





## How to choose a property that's right for you

### Buying an established property

Established homes have a certain charm and character about them that many home buyers find attractive. Often they offer excellent value in comparison to building or buying new. You will want to discover, relative to the age of the home and the price, the cost of any maintenance required prior to purchase as you will need to factor in the cost to address these once you take possession of the property. One way to give yourself peace of mind about the property you're buying is to arrange a building inspection with a reputable building inspector. This will help to inform you whether the property is structurally sound and what expenditure you can expect in the near future such as repairing the roof, plumbing maintenance, replacement of insulation or an inadequate hot water system. It's common (and advisable) to have a 'satisfactory' building inspection report as part of the 'Offer and Acceptance' contract you sign when buying the property.

### Buying a strata property

A Strata Company or Body Corporate is made up of the owners of a complex or building. Buying a strata property means that the ownership of all the strata property's common area is shared and you must work with other owners to maintain the value of the property.

The Strata Company is responsible for maintaining all of the strata homes in a complex and its surrounds such as swimming pools, gardens, exterior walls, windows, doors, footpaths and car parking. They are also responsible for making key decisions such as how much money is levied each year for maintenance of the common areas.

Members of the strata complex meet as agreed to elect a council of owners who will be responsible for making recommendations on key issues relating to the property. A good action is to obtain the last 12 months Strata Company meeting minutes to see what they've done. Ask about their financial reserves and if they're planning to upgrade or make improvements to the property. If the strata company has large arrears, it could mean they have insufficient funds to correctly maintain the shared areas.

Every strata property will have a strata plan that will help you determine what you actually own. The plan will show you all of the units, common property boundaries of the property and if your unit has been allocated car parking. All these various aspects have an impact on the true value of the strata property.

You will need to factor into your annual budget the payment of 'strata fees'. These payments will go towards the overall maintenance of the complex and to pay for associated costs such as insurance. Before you buy, make sure you know whether the current owner owes any money to the strata company. Any outstanding money should be deducted from the settlement price of the property.

Every strata company has their own set of rules and regulations. Some strata companies for example, ban pets, or may have certain restrictions for renovations or installation of exterior wall mounted air conditioners. You need to understand exactly what you and your neighbours responsibilities are before agreeing.

There's something special  
about building a new home.



## Buying a block of land

When you buy a home it is usually the land that increases in value, not the building. A decade ago, land represented approximately one third of the value of the average new house and land package. Today, land typically represents more than half the total cost. Whilst all land has value, some blocks are certainly worth substantially more than others. Consider some of the following points before you buy.

### Scarcity

The scarcity of land is generally determined by geographic features such as how near a river, lake, ocean, hills or unique developments you are. The fewer properties that are available the greater the demand and the higher the price they can likely command.

### Size

Every square metre of land has a value. So the bigger the land size in any given area and circumstances like view, the higher the market value. Compare the price paid per square metre for similar blocks in the area where you intend to buy to ensure that the price you pay represents a fair value at the time.

## Location

Location has always been the key to capital growth in real estate. A good location can be qualified in many ways. It can mean a prestigious suburb, close proximity to the CBD, a property nestled idyllically in rolling hills or by crashing waves. What buyers should consider about location in any suburb, or anywhere in the country, is the convenience and lifestyle that most closely meets their needs and more than likely others requirements.

A block located in a quiet street, close to parklands, public transport, health services, education, recreation and shopping is going to appeal to many future homebuyers, and the benefits that these features offer will represent a value that they are willing to pay for in the long term.

## Services

Take into account the proximity of connections to the services such as sewerage, electricity, gas and water to the land and to the most suitable building site.

## Facilities

If you're buying a block of land in a new estate, you'll need to know the future plans for the location of schools, shops, access to public transport and building of roads or highways.

## Building a new home

There's something special about building a new home. There's all the excitement and anticipation that goes with the planning and design, and then deciding on a new home builder.

## Covenants/Encumbrances

Covenants (rules) often exist on a new estate and are a specific set of minimum standards for building construction and land use that are in addition to building codes and are applicable for every property owner in the estate. For example, the design of the home may need to include a double garage or have a minimum living area of 250m<sup>2</sup>. Ensure you secure a copy of the covenants and understand the commitments and provisions prior to purchase.



# Offer and acceptance process

## Crucial dates

- Agreement or Contract date on the Contract which specifies when negotiations concluded and the agreement is signed by both parties.
- The dates when all conditions of the offer are met. This is when the contract becomes 'unconditional'.
- The settlement and possession date, which sets down the date by which you must pay the balance of the purchase price to the seller and you receive the keys to your new property.

## Making and negotiating an offer

A normal part of the process of buying a home is negotiation between the buyer and the seller. The more attractive you can make your offer in terms of price, and the fewer conditions you've included as part of the offer, the more likely you are to have your offer accepted.

When you are ready to put in an offer, the sales consultant will write up a Sale and Purchase/Offer and Acceptance contract. This is an official document for the authorisation of the selling and purchase of a home. The contract itself enables the opportunity for conditions to be put upon the sale, which may include a specific time within which to organise finance, a settlement date, a satisfactory building inspection report and anything else that may be necessary to complete the sale.

## A conditional offer means:

- You have placed one or more special conditions on the purchase, such as subject to finance, subject to a house selling, subject to completion of certain work on the home, subject to title search.
- The sale is not complete until the special conditions have been satisfied within the stated time.
- In some cases, the offer will be rejected because the owner does not wish to wait the extra time for the condition/s to be satisfied.
- Any deposit you make will be returned if the conditions cannot be met and no other agreement is reached eg: extended timeframes.
- Some regions legislate a cooling off period or similar, so make sure you are aware of all government legislation and your and the sellers rights.



## An unconditional offer means:

- You, as buyer, are not placing any special conditions on the purchase.
- The seller has only to accept the offer for the property to be sold.
- Once accepted, the contract becomes binding and you as the buyer are expected to provide a deposit. This deposit is non-refundable, should you not proceed with final settlement.
- An auction bid is an unconditional offer, unless conditions have been agreed prior to the auction.

## Acceptance of offer

After the offer has been accepted, your legal representative will need to check all the details of the title and prepare any necessary documentation. You will need to pay a deposit within three business days of acceptance of the offer. Sign any mortgage documents (usually when unconditional and nearing settlement) and arrange your finances for payment of the balance of the purchase price.

## Pre-settlement inspection

It is a normal condition of sale that you have one pre-settlement inspection to ensure the property is in the same condition as when you agreed to purchase it. Check that all the chattels are still in place and any repairs agreed upon have been made. Chattels are the items that are specified on the agreement that the owner will leave with the property ie: curtains, lighting, dishwasher, garage door opener etc.



## Settlement

Once your offer has been accepted and all conditions have been met, the sales agent will forward the contract to your legal agent. They will administer the settlement which includes exchange of titles and transferring of funds. Your legal and financial representatives will keep you informed and look after the settlement day details for you.

### Planning your move

Now that you have your settlement date it's time to organise your move. Pick up a copy of Professionals Pathway to Moving booklet for a full checklist to assist you with your move.

Arrange:

- For your legal representative to:
  - finalise your mortgage documents
  - arrange the signing of the transfer with your financial institution
  - organise appropriate allocation of rates and insurance
  - arrange collection of the keys
- For your insurance broker to arrange cover from unconditional date
- Mail forwarding service
- To contact relevant parties regarding your change of address
- A removal firm or a group of helpers.

Organise connections with suppliers for:

- Electricity
- Gas
- Telephone
- Water

### Settlement and possession day

Once final payment's made, settlement has occurred. The keys of the property are handed over to you on the agreed date.

Congratulations and welcome to your new property. We at Professionals wish you every happiness.

*'Settlement' refers to the actual date at which the property is formally sold and transferred from the seller to the buyer.*





### **Information you need to know about buying at auction**

Auctions are exciting; however, they can also be daunting for first time auction buyers. They may be held in an auction room or at the property. In some regions you need to register with the auctioneer if you are going to bid. Bidding needs to reach the reserve price in order for the property to be sold to the highest bidder. If it does not reach the reserve price, it is still to your advantage to be the highest bidder so you have the first right to negotiate with the seller.

#### **Tips when bidding**

- Attend a few auctions to see how it works prior to you making a bid yourself.
- Always know and stick to your price range.
- Have someone with you who can stop you bidding when you reach your limit.
- Always do your research and arrange pest and building inspection reports for a property prior to bidding.
- You may bid in small or large increments.
- If you are successful you must be prepared to pay the deposit immediately.



## Glossary

**AGENT** - A registered or licensed person employed to facilitate the sale, purchase, letting or management of real estate property on behalf of the owner/s.

**ALLOTMENT** - A section of land subdivided from a larger portion of land generally referred to as a 'lot' or 'section'.

**APPRAISAL** - An opinion of a property's saleability and estimated market worth based on current market conditions and the property's characteristics, not to be confused with a registered valuation.

**ASSETS** - What you own.

**AUCTION** - The sale of a property by a bidding process on a given day. Properties usually have a reserve (minimum) price and if a bid doesn't reach this minimum the property is "passed in".

**BODY CORPORATE** - Legal entity and management organisation, set up for and by the owners of a complex or building responsible for administering, maintaining the building and its surrounds, including common areas like gardens, pool, parking and exterior.

**BREACH OF CONTRACT** - Not fulfilling one or more terms of the contract.

**BRIDGING FINANCE** - A short term loan, usually at a higher rate of interest, which helps people to cover the purchase of a property while waiting to sell or settle on theirs. The security is usually on both properties.

**BUILDING REGULATIONS** - These are designed to uphold the standards of public safety, health and construction. They are put in place by local authorities to control the quality of buildings.

**CAVEAT** - A document lodged by a person with a legal interest in a property, to ensure the property is not sold without their knowledge.

**CAVEAT EMPTOR** - Latin for "let the buyer beware". In certain cases this puts the burden onto the buyer to be satisfied before purchasing a property.

**CERTIFICATE OF TITLE** - A document which details the ownership of land along with the dimensions and other details. It is held by the lender as security for a loan.

**CHATELS** - Chattels are items that are generally fixed on the property and include carpets, light fittings, stove, dishwasher, blinds, curtains, fixed heaters, television aerials. Some BBQ's and pool cleaners may also be classified as chattels.

**CMA** - Comparable Market Analysis is the price comparison of your home with others that are currently for sale and those that are similar in size and location that have sold.

**COMMISSION** - The fee payable to a real estate agent for selling a property, payable by the seller.

**COMMON PROPERTY** - Areas on a title which have joint ownership with another property; often common with cross-leased, strata title and unit title properties.

**COMPANY TITLE** - Title of ownership often associated with older apartment buildings.

**CONDITIONAL CONTRACT** - A contract that is agreed to by the seller and the buyer, where one or more conditions need to be met, usually within a specified time period, by either the seller or buyer. For example, subject to raising finance, to sale of the buyer's home, to completion of work on the property, to title search, to structural or pest reports.

**CONTRACT OF SALE** - A written document that sets out the terms and conditions for the purchase or sale of land and all improvements thereon.

**CONTRACT FOR SALE OF LAND OR STRATA TITLE BY OFFER AND ACCEPTANCE** - The contract between the seller and the buyer.



**CONVEYANCING** - The legal process of transferring the ownership of property and money, making sure that everything is legally correct as the property transfers from one owner to another. This is usually done by a settlement agent or solicitor.

**COOLING OFF PERIOD** - Set time where buyer can withdraw from the contract however, a penalty is incurred.

**COVENANTS** - Special rules and regulations which might apply to a property regarding its use.

**C.T.** - Certificate of Title. Document that shows the legal owner of a property.

**DEPOSIT** - A defined percentage of the purchase price, or an agreed amount, paid by the buyer which is held in Trust as confirmation of intention to buy.

**EASEMENT** - A right held by someone to use land belonging to someone else for a specific purpose. Mains, drains, footpaths and water pipes are usually covered by an easement.

**ENCUMBRANCE** - An easement, mortgage, or other liability on a property which impedes its use or transfer.

**EQUITY** - The value you hold in your home. The total value less any mortgage or other liabilities on a property.

**ESCAPE CLAUSE** - This allows the owner/s to issue notice to a conditional buyer, that unless that buyer confirms the sale as unconditional within a short stipulated time, then the owner can proceed with another offer from another party.

**EXCLUSIVE LISTING/AGENCY** - Only the agency appointed has the right to sell the property.

**FSBN** - For Sale By Negotiation. This is an undisclosed price marketing strategy where often a price bracket is used to advertise the property.

**GENERAL AGENCY LISTING** - A listing that is open for any agent in any company holding an agency licence to work.

**INTEREST ONLY LOANS** - A loan on which only interest is paid periodically and the principal is paid at the end of the term.

**INVESTMENT** - The purchase of an asset such as real estate with the ultimate goal of generating income and producing capital gain on the resale of the asset.

**JOINT TENANTS** - The equal holding of property by two or more persons.

**LAND TRANSFER OFFICE OR LAND TITLES OFFICE** - A Government department where all property records are held and any changes are registered. These are public records so you can go there and look up any title to a property.

**LEASE** - A document granting possession of a property for a stated period without transferring ownership. The lease document specifies the terms and conditions of occupancy by the tenant, including period of occupancy, rent payable

**LIABILITIES** - The outstanding debts you owe.

**LIM** - Land Information Memorandum – A report which can be requested from your local authority which provides information regarding the property; such as rates owing, drainage and building plans.

**LISTING AUTHORITY** - A contract between an owner and the real estate company selling the property. It is normally for a set number of days and sets out the commission rate and any additional costs. This states whether the authority is an exclusive, general, multi-list, tender or auction listing.

**LOAN PERIOD** - The number of years that a home loan covers.

**MATURITY DATE** - The last day of the term of the home loan agreement. The home loan must then be paid in full or a new home loan agreement is made.

**MORTGAGE** - The security over a property given to the lender for the repayment of the loan. The lender (mortgagee) has the right to take the property if the borrower (mortgagor) fails to repay the loan.

**MORTGAGEE** - One who lends money for the property.

**MORTGAGOR** - One who borrows money to purchase property.

**NEGATIVE GEARING** - Is a tax deductible benefit that applies to the shortfall of the income generated from an investment property versus the cost of maintaining the property including the interest only component of the loan.

**NEGOTIATING THE OFFER** - The difference between effective and poor negotiation could amount to thousands of dollars. The buyer makes an offer, generally to the sellers agent, who will present to the seller. They will assess each part of the offer, taking careful note of any conditions and either counter offer, accept or decline the buyers offer.

**OFFER TO PURCHASE** - A formal offer for a specified price for a specified property, normally made on a sale and purchase agreement.

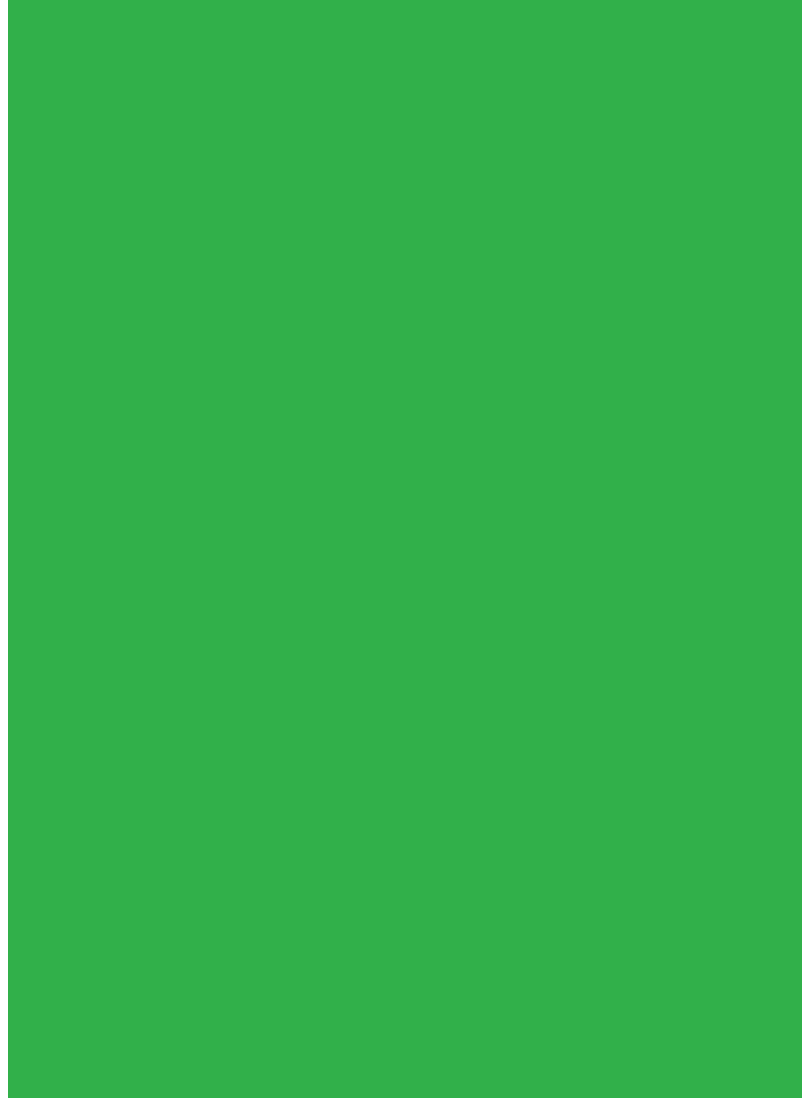
**PASSED IN** - A property is passed in at an auction if the highest bid fails to meet the sellers reserve price.

**PLAN** - This shows the house design, elevation of the house, number and size of rooms, kitchen, bathroom and laundry layout and the position of the house on the land.

**POSITIVE GEARING** - Where the rental income received is greater than the property mortgage and expenses.

**POSSESSION DATE** - The day the buyers take occupancy of the home.

**PRINCIPAL** - 1) The actual amount of money that has been borrowed to buy a property excluding interest. 2) The licensed operator of a real estate agency.







**PRIVATE TREATY SALE** - Sale of property via an agent through private negotiation and contract.

**PRIVATE SALE** - The owner does not engage an estate agent but acts on their behalf, dealing directly with the buyer and preparing the agreement.

**PROPERTY FILE** - Your local authority has a file for every property which contains potentially important information that is not contained in a LIM.

**PURCHASER** - The eventual buyer of the home.

**REAL PROPERTY** - Land, with or without improvements.

**RESERVE PRICE** - The amount below which a home owner will not sell on the day of auction.

**RIGHT OF WAY** - A legal right of access across a property.

**SALE AND PURCHASE AGREEMENT** - The contract between the buyer and the seller.

**SECURITY** - Property offered as backing for a loan. In the case of a home loan, the property itself usually acts as security.

**SECTION** - A section of land subdivided from a larger portion of land generally referred to as an allotment or lot.

**SEMI-DETACHED** - Two buildings joined by one common wall.

**SETTLEMENT** - Completion of a sale when the balance of the contract price is paid to the owner and the buyer is legally entitled to take possession of the property.

**SOLE AGENCY** - Only the agency appointed has the rights to sell the property.

**STAMP DUTY** - A state government tax on financial transactions in Australia.

**STRATA MANAGEMENT** - Legal entity and management organisation set up for and by the owners of a complex or building responsible for administering and maintaining all of the building and its surrounds, including common areas like gardens, pool, parking and exterior (also referred to as Body Corporate).

**STRATA/COMMUNITY/UNIT TITLE** - Most commonly used for flats and units, this title gives you ownership of a small piece of a larger property, including "air space". You have the selling rights to a particular unit and can lease, sell or dispose of your unit as you desire. You also have an undivided share of the common land and become a member of the Body Corporate which controls the maintenance and has stipulated rules governing occupation.

**STRATUM TITLE** - This title gives you legal ownership over a piece of property and also a share in the common land of the area of flats or units. It does not include "air space".

**SUBJECT TO FINANCE** - A condition inserted into a contract for the benefit of the buyer. This makes the contract subject to the buyers confirming that they have raised finance within a certain amount of time.

**SURVEY** - Confirmation of the property boundaries and improvements.

**TENDER** - A tender involves potential purchasers placing confidential bids for a property by a specific date. The bids may or may not include conditions and any bid can be accepted or rejected by the owner.

**TITLE SEARCH** - The process of examining the land title to ensure the owner has the right to sell and therefore transfer ownership. It details the names of the owners and other information about the property, such as encumbrances or caveats on the title.

**TORRENS TITLE** - Title administration that applies to most land in Australia.

**UNCONDITIONAL CONTRACT** - A contract for the sale of a specific property that the owner and buyer have agreed upon has no conditions, or the conditions have been met, therefore constituting a sale.

**VACANT POSSESSION** - When the ownership is transferred by the sale of a property it will be empty, ie. there will be no tenants living in the property, or leases giving someone else use of the property.

**VALUATION** - Assessment of the value of a property given in a written report, by a licensed or registered valuer.

**VENDOR** - A person who owns the property for sale ie the seller/owner.

**ZONING** - Control of the use of land exercised by the local authorities.



*...because we understand, there's no place like home*





## Why Choose Professionals?

Professionals Real Estate Group have over 300 offices situated in centres throughout Australasia, with over 30 years of experience in the real estate industry.

While we've incorporated the innovations, technology and systems into our businesses, we remain proudly old-fashioned in delivery of service and believe the relationships we build with our clients are critical to the long-term success of our business. Professionals offer experience and knowledge of the local market, because each business owner is independent and fully committed to the community they serve.

Together, with our understanding of the buying and selling process, we can help you purchase the right home for you. We are sure to have a Professionals office near you, so if you're looking to buy, call or drop in to your local Professionals office today or visit our website. Talk with the real estate group whose name says it all - Professionals.



Visit us online today at [www.professionals.com.au](http://www.professionals.com.au) | [www.professionals.co.nz](http://www.professionals.co.nz)