



Property
Association

FIRST HOME BUYER GUIDE: UNDERSTANDING THE PURCHASING PROCESS

PROPERTY ASSOCIATION

ESSENTIAL GUIDES FOR PROPERTY BUYERS

1300 400 222 • www.propertyassociation.com.au



BUYING A PROPERTY SHOULDN'T BE SCARY. LET'S BREAK DOWN THE STEPS INVOLVED.

1 Speak to a funder or lender to gain an understanding of a ballpark figure of what you can afford, and then establish a price point you are comfortable with.

2 Identify several real estate agents in the areas you are considering, who are selling the product type you are after and introduce yourself. Let them know exactly what you are after. Even if you are not ready to buy right now, the better agents will keep you informed and this will help you better understand the market in which you will be buying in eventually.

3 Undertake your own research to understand how often certain types of property come up, how long they take to sell and what they are selling for. If something looks like it sold for an abnormally high or low price, ask the agent to help you understand why. It may have been because of strata issues or it may have had future development potential.

THE PURCHASING PROCESS SHOULD START AT THE SAME TIME AS WHEN YOU START YOUR SEARCH.

4 Start researching and identify a conveyancer or solicitor that will be working with you once you have found the right property.

Once you have found a property you like, negotiate a price that both sides are happy with. This is when the official process starts. It varies a little between buying something off-the-plan (something yet to be completed) and buying something established.



ESTABLISHED PROPERTY (PRIVATE TREATY)

1.

To secure the property, lock in the price and lock in the vendor. You must exchange contracts. Until you have received notice that the contracts have exchanged, the owner can change their mind or pull out for any reason.

2.

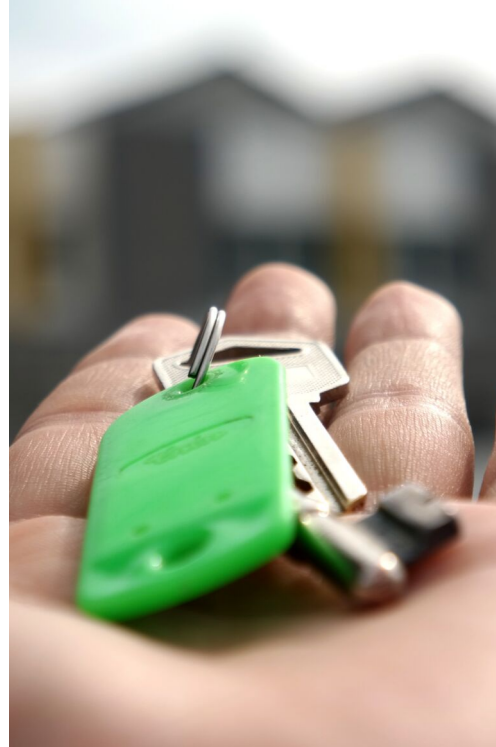
Be careful if an agent tells you they will "hold the property for you", or that you can secure the property with a refundable holding deposit. If you have ever heard of the word "gazumping" it is when a buyer has been given an assurance that they have secured a property only to find out the next day, it was purchased by someone else. There is nothing illegal about placing a holding deposit, you just need to be aware there is nothing legally locking in the vendor to you or the price.

3.

What you would prefer, is to exchange a contract with 0.25%. This means if the purchase price was \$400,000, you would need to pay \$1,000. Once you have paid this and signed the contract, and the vendor signs the contract, then you have secured the property. All contracts come with a 5 business day cooling-off period, in that time you can run your strata report, finalise your finance and have your solicitor review the contract. Before the end of the 5th business day, you can pull out for any reason. In fact you don't even have to give a reason, however, you do lose the 0.25% deposit. This is because the owner does not get a cooling-off period and once the contracts have exchanged it becomes illegal for the agent to market the property. So if you pull out, the 0.25% goes to the vendor to make up for the loss.

4.

It is recommended that before you put your 0.25% initial amount down and sign, that you request for the cooling-off period to be extended to 10 working days. This is because the banks are taking a little longer to provide "unconditional finance approval".



ESTABLISHED PROPERTY (AUCTION)

1.

If a property is being sold at auction, you are expected to do all your checks (building, legal and finance) before you turn up to bid. As such, if you are successful at an auction, you need to pay 10% on the day (unless a lesser amount is pre-negotiated). You'll also need to provide a 66W which means there is NO COOLING OFF PERIOD. This is because, after a 5 or 6-week campaign, the vendor cannot take the risk that you might pull out in 5 or 10 days. The actual method of "going to auction" relies on competition and building up to an end-date. This process can not be replicated in 10 days' time if you decide to pull out.

2.

Be careful of Private Treaty sales that request a 66W (which is a waiving of your cooling-off rights).

IF THE PROPERTY YOU ARE PURCHASING IS MEANT FOR LONG TERM INVESTMENT, DON'T BECOME OVERLY EMOTIONAL WHEN MAKING YOUR DECISIONS AS MORE OFTEN THAN NOT, YOU WILL OVERPAY.



OFF-THE-PLAN PROPERTY

1.

It is common with off-the-plan, to first put down a holding deposit. Legally, it's not any different other sales, in that this action does not secure your price or apartment until the contract has exchanged. However, because off-the-plan contracts are a little more detailed and require the solicitors to go back and forth a little more, this holding deposit is refundable should you decide not to proceed.

2.

Another option is to exchange on a 0.25% (this is non-refundable) deposit with a cooling-off period should you really want to secure the unit and price and the developer agrees.

3.

If the property is more than 3 months from completion, it is unlikely that you'd get "unconditional approval" from a lender, so you must rely on what the bank or broker tells you in terms of your ability to finalise the property transaction at settlement.

4.

Once the solicitors are happy with the contract, you would need to pay 10% (unless a smaller amount is agreed to - you can always request 5%). In addition to this payment, the developer will also request a 66W (which is the waiving of your cooling off rights). Thus, the property is secured.

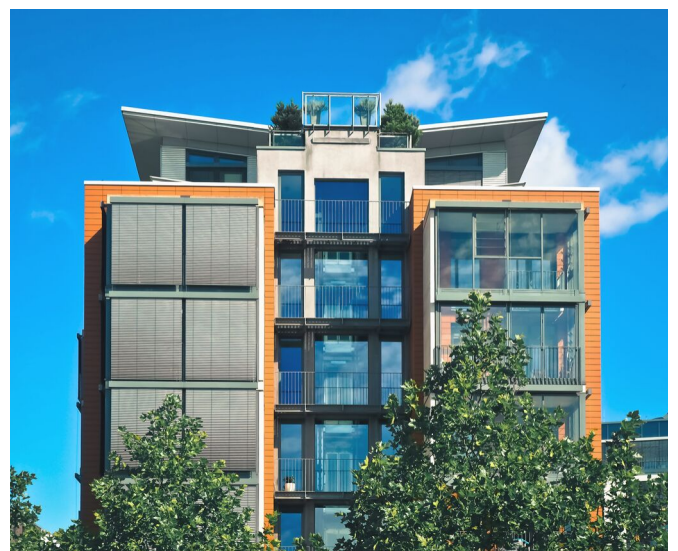
5.

Leading up the settlement, the developer will invite you to inspect the property and ask you to outline anything you can see that is defective or not in a brand new condition.

Note, there is a difference between something being defective versus finishes being of poor quality. Something defective means that it is not fit for the purpose it is designed to do. For example, the front door needs to close if you have it at a 90-degree angle and let go. If it bounces back or doesn't close then it is defective. You will take notes and provide them to your solicitor for their records. After you settle you also have a standard 90 day defect period, so if you notice anything else after you have moved in you can collate a list and submit it to your solicitor and developer.

6.

Each contract is different but most will give you a 21-day notice that you need to settle. They will also give you prior warnings in terms of the building's progress. They'll also need to wait on their Occupation Certificate, which allows them to ask you to settle. This may be occasionally delayed as they are often relying on certifiers and other external parties to achieve this status.



**THIS IS THE PROCESS OF PURCHASING.
THERE ARE VARIABLES AND NOT EVERY
SITUATION CAN BE COVERED. IF YOU HAVE
SPECIFIC QUESTIONS NOT ADDRESSED,
OUR DIRECTOR ANDREW IS PASSIONATE
ABOUT ARMING PEOPLE WITH ALL THE
KNOWLEDGE THEY NEED TO ENSURE A
POSITIVE TRANSACTION.**

**YOU CAN EMAIL HIM AT
ANDREW@PROPERTYASSOCIATION.COM.AU**



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