

# Consumer Affairs Victoria

## Real Estate Factsheet

### First home buyers' checklist

October 2007

*Buying your first home could be one of the biggest financial transactions you will ever undertake.*

*This checklist is designed to guide you through the steps involved.*

#### **Quick tip**

Use home loan and stamp duty calculators on websites run by lenders, real estate agents and the State Revenue Office.

#### **Quick tip**

A buyer's advocate can source properties and negotiate on your behalf for a fee, usually based on a percentage of the purchase price. Check that he or she is a licensed estate agent.

#### **Environmental tips**

- Check the property has adequate insulation and make provisions in your budget to improve the insulation if necessary.
- Visit [www.ourwater.vic.gov.au](http://www.ourwater.vic.gov.au) for advice on what you can do to make your home as water efficient as possible.

#### **Financing your home**

- Establish your budget and savings plan. Analyse your spending habits – knowing how much you spend each week is essential in determining how much you can afford to borrow.
- Include the extra costs of buying a home when planning your purchase. Lenders' fees, inspection costs, stamp duty, insurance, legal fees, moving costs, estate agent fees, body corporate fees and council rates can add thousands to the cost of a new home. You may also need extra for home improvements or renovations.
- Determine how much your deposit will be. Be aware that you will be required to pay mortgage insurance if you are borrowing more than 80 per cent of the purchase price.
- Speak with mortgage brokers and lending institutions to determine how much you can borrow. Take your future family planning considerations into account when you calculate your borrowings to ensure repayments can be met on one income if applicable. You may need to reassess your spending patterns to ensure you can service the loan.
- Shop around and compare loan types and lending institutions to ensure you get the loan that is best for you. Determine whether a fixed or variable rate loan best suits your needs, and whether you would prefer fortnightly or monthly repayments. Also, find out if additional repayments are possible.
- Gain pre-approval from your chosen lender before making an offer or participating in an auction.

- Lodge your First Home Owners Grant application if you are eligible. Contact the State Revenue Office for information. Go to [www.sro.vic.gov.au](http://www.sro.vic.gov.au). Some lenders will lodge this application for you.

#### **Finding your home**

##### **Property research**

- Make a list of the essential features you must have in a property, as well as a 'wish list' of desired but non-essential items.
- Determine your preferred suburbs according to your price and location requirements. School zoning may also be a consideration when choosing a suburb.
- Take your time. Don't hurry into buying before you have thoroughly researched the market.
- Research recent sales in your preferred suburbs. Talk to agents, and analyse recent sales and prices. Attend as many auctions and open inspections as possible to familiarise yourself with the market and selling processes. This will enable you to get a feel for the prices properties are selling for and, if necessary, refine your suburb choices.
- Appoint a solicitor or conveyancer to undertake your conveyancing work. Know the difference between using a conveyancer and legal practitioner. Go to [www.consumer.vic.gov.au](http://www.consumer.vic.gov.au).

Date of Issue:  
October 2007

## **Environmental tips**

- Use a design that maximises north-south ventilation flow to cool your house during summer, rather than relying on air-conditioning.
- Use eco-friendly products and materials where possible.
- When furnishing your home, buy appliances and products that are energy efficient. Sustainability Victoria provides advice on rebates and products designed to make your home more energy efficient. Go to [www.sustainability.vic.gov.au](http://www.sustainability.vic.gov.au).
- Make your new home as water efficient as possible. Visit [www.ourwater.vic.gov.au](http://www.ourwater.vic.gov.au).
- Avoid blocks that are overshadowed in winter by buildings, big trees, fences or other obstructions to the north. A block that allows you to site your home facing north means that you get best access to the sun.

## **Buying a unit or apartment**

- Research the facts about the particular rights and responsibilities that relate to owning a unit or apartment. Go to [www.consumer.vic.gov.au](http://www.consumer.vic.gov.au).
- Consider the extra expenses involved with owning a unit or apartment. Expenses can include annual owners' corporation fees to cover the costs of management, security, cleaning, repairs and gardens, as well as fees and levies for administrative expenses.
- Consider possible restrictions to parking, noise, traffic and pets. You will also need to deal with close neighbours, whether they are owners or tenants.

## **Building a new home**

- If you decide to build a new home after seeing a display home, remember the builder must generally produce the same quality house.
- Ensure you have detailed plans and specifications that suit your budget and your land, and comply with the relevant regulations.
- Ensure your house complies with the mandatory energy rating system in Victoria. To find out the requirements, visit [www.sustainability.vic.gov.au](http://www.sustainability.vic.gov.au) and [www.buildingcommission.com.au](http://www.buildingcommission.com.au). You can choose to go beyond the minimum required standard of energy rating when including features, materials and systems that conserve energy and water, and minimise waste.
- Choose a registered builder with builders' warranty insurance. Contact the Building Practitioners' Board or Consumer Affairs Victoria for details.
- Don't sign any agreement until you're ready. Get legal advice before you sign a building contract.
- Use an independent building consultant to help you check aspects of the project or carry out your contract administration. Depending on the scope and cost of this work, your building consultant may need to be registered.
- Choose your own building surveyor – you will be more confident that he or she will perform independent inspections to ensure your building complies with building regulations. Remember: your building surveyor does not check that contractual requirements have been met.
- Remember that a domestic building contract has a fixed price. After signing the contract, the price can be varied by you or the builder, but only as permitted by the *Domestic Building Contracts Act 1995*.
- Only pay the deposit and stage payments according to percentages of the total contract price set out in the *Domestic Building Contracts Act 1995*.
- Don't pay for a stage before it is complete. Ensure the works have passed your building surveyor's inspection and you have thoroughly checked that the builder has met all contractual requirements.
- Act immediately if things go wrong. Communicate with your builder, get agreements in writing and if you can't resolve the issue, contact Building Advice and Conciliation Victoria on 1300 55 75 59.

Date of Issue:  
October 2007

## Quick tip

- Be aware that the seller's verbal acceptance of an offer does not mean that the property is sold to you. There will always be a risk that another keen buyer will make a higher offer or propose more favourable terms of sale. Until your offer has been accepted in writing, the seller has the option to accept an offer from another buyer.

## Quick tip

Be aware that the seller is not generally compelled to sell to any specific person and can change his or her mind at any time before signing the contract. A seller may not necessarily sell to the person who makes the highest offer.

## Making an offer – private sale

- If you are interested in a property, spend time in the area at different times of the day and night to check for noise, parking and traffic. You could also check with the local council for any proposed building or developments in the area.
- Obtain a copy of the vendor's statement (section 32) and read it carefully. This statement contains information about the property's title, easements, zonings and outgoings. It is a good idea to have the vendor's statement checked by your solicitor or conveyancer prior to purchase.
- Make a realistic offer to the agent based on your understanding of the value of the property. Be careful that your offer is not too low – if another keen buyer makes a higher offer, the seller may accept the offer and enter into a contract with the other buyer.
- Consider making a conditional offer, subject to certain conditions, such as obtaining finance, the sale of an existing property or building and pest inspections.
- Make sure you know which fixtures and chattels are included in the sale and check that they have been listed in the contract.
- Do not sign anything until you have read it carefully and understood the content of the document.
- Know your rights with regard to 'cooling-off' periods.
- Insert in the contract a date by which your offer will lapse. Then you will know whether your offer has been accepted within the specified timeframe and you will be free to make offers on other properties.

- Provide a copy of the contract of sale to your solicitor or conveyancer so they can check for special conditions or caveats. (This may negate your right to cool-off.)
- The offer is binding when both you and the seller have signed the contract note or contract of sale and all conditions are met.
- Check that all measurements and boundaries of the land correspond with those on the title. Your solicitor or conveyancer will send a plan of the land to you.
- Pay your deposit to the estate agent. The deposit is held by the agent in a trust account until the settlement date.

## Buying at auction

- Attend as many auctions as possible to learn how the process works. This will also help you find out what prices properties actually sell for compared with the advertised prices.
- Check newspapers and online advertisements to see whether the advertised price for a property you are interested in has changed closer to the auction date.
- Ask the agent what price the property is expected to sell for. Also ask for comparable sales data the agent has used to establish the estimated selling price of the property.
- As the property is being sold at auction and will sell to the highest bidder, think carefully about spending money on services such as building inspections before the auction day.
- Be clear about your bidding limit and bid confidently.
- If you are the highest bidder at the fall of the hammer, you will be required to sign the contract and pay the deposit specified in the contract. There is no cooling-off period at an auction.

Date of Issue:  
October 2007

## After the sale

- Advise your lender that your offer has been accepted, and finalise your loan documentation.
- Organise building and contents insurance, effective from the date of signing the contract. Lenders will generally require this to safeguard their interest as mortgagee.
- Change your address with necessary organisations; organise electricity, gas, telephone and internet connections; and book a removalist for your move in date.
- Organise a pre-settlement inspection one week before settlement to ensure that the property is in good condition. The seller has an obligation to hand over the property in the same condition as it was when it was sold.

## Further reading

- *Real Estate: A guide for buyers and sellers*
- *Building & Renovating Quick Tips*
- *Conveyancing factsheet*

## More information

### Estate Agents Resolution Service (EARS):

Consumer Affairs Victoria

### Victorian Consumer & Business Centre

113 Exhibition Street

PO Box 123, Melbourne 3001

Melbourne 3000

Telephone: 1300 55 81 81

for buyers: 1300 73 70 30

for building: 1300 55 75 59

Website [www.consumer.vic.gov.au](http://www.consumer.vic.gov.au)

Email:

[cav.resolutionsservice@justice.vic.gov.au](mailto:cav.resolutionsservice@justice.vic.gov.au)

### Law Institute of Victoria

[www.liv.asn.au/public/general/home](http://www.liv.asn.au/public/general/home)

### The Land Channel

[www.land.vic.gov.au](http://www.land.vic.gov.au)

### Real Estate Institute of Victoria

[www.reiv.com.au](http://www.reiv.com.au)



The information contained in this fact sheet is of a general nature only and should not be regarded as a substitute for a reference to the legislation or professional advice. Authorised by the Victorian Government, 121 Exhibition Street, Melbourne, Victoria, 3000. RE-13-01