

## Buying and selling property:

### - *A useful guide to achieving your goals.*

This article is an excerpt from our e-booklet - "Buying and Selling Guide – 2015 Edition". The complete booklet can be downloaded, free of charge, from [www.portfoliocapital.com.au/e-books](http://www.portfoliocapital.com.au/e-books). You will also find a range of other related e-booklets at this location.

Thinking of upsizing your home? Or maybe downsizing or simply re-locating?

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, selling and financing decisions that are cost effective now, and well into the future.



## Buying a Property

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 buyer's 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

Note: Not all lenders charge all of these fees

Application fees - \$0 to around \$800

Property valuation - \$200 - \$500

Settlement fees - \$200 - \$500

Government registration fees – these differ from state to state

Mortgage Insurance if you are borrowing more than 80% of the purchase price or value



## 2. Building Inspections

It's always important to obtain a pest and building inspection to ensure that the home you are buying is sound and free of pests and vermin. Allow around \$500 for each of these.

## 3. Insurance Costs

You need to insure your new property against damage and, in fact, your lender will require you to take this out.

## 4. Legal Costs

You should allow up to \$1,800 for conveyancing costs for a standard residential property. Other 'outgoings' that your solicitor or conveyancer will charge for include various title and other searches. Allow up to \$150 for these.

## 5. 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.

# Know 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 our [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.



Other things that help determine your borrowing capacity include:

- Your income – amount, type (PAYG, self-employed, casual etc.)
- Your asset position
- The amount of funds you have available to contribute towards the purchase and costs
- Your other financial commitments
- Your Past credit history

# How Brokers 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.

## 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.



## 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 comparisons 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 aspects 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. A complete description of the various loan types, their advantages and disadvantages is contained in the e-Booklet. Download it free [here](#).

## 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 like your obligations if buying at auction, tips for successful bidding at auctions, contracts and clauses to be included if it's Private Treaty sale, Cooling off periods and much more. Get all this information from our e-booklet.

# 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:



- Decide 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

# 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 accept 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.

## *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.

## Other Topics

Our complete e-booklet provides information on a number of other related topics including:

- Tips for finding the right Real Estate Agent
- Knowing your selling costs
- Setting the right price
- Tips on how to prepare your home for sale



Also, check out our website for other interesting information including our range of handy calculators. Of course, if you are looking for a new home loan we're always available to assist.

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