



HOUSE AND HOME CO

MY FIRST HOME GUIDE

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Welcome to *My First Home Guide* presented by House and Home Co.

It's never too early or too late to be considering your first home. While there is much to know and the journey toward your first home will likely be challenging, the decision will undoubtedly be life changing. It should be an exciting and rewarding time. To skip around the inevitable pitfalls and minimise stress, we have assembled the below list based on professional and personal experience.

Keep in mind this is intended as a guide and may not completely align with your individual needs. We highly recommend you chat to us at House and Home Co, for specialised and specific advice based on your individual needs. At no cost to you.



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1. FINANCE ASSESSMENT

Before you go shopping for your beachside dream or walk through a builder's million-dollar advertisement "display home", speak to a trusted and independent mortgage broker. Don't worry if you're unsure about your readiness to buy a home. The right mortgage broker will not only provide the most up to date facts on lending and Government incentives etc, they'll provide guidance on how to prepare and work towards your goal of home ownership. Mortgage brokers can usually access better loan options than you could at the service counter of your bank. They can also provide access to multiple banks and alternative lenders, to ensure the product works for you. Best of all with a mortgage broker, there are no additional costs to you, as they are paid direct by the lender you choose.

Our hot tip: Avoid talking directly to banks and credit unions to discuss your suitability for a home loan and their products. Regardless of your banking history and perception of being a favoured long-term customer, these institutions generally operate with their interests first. Banks will have you jumping through hoops and look for ways to say no to your loan.

2. CREATE A WISHLIST

Following an initial assessment with a mortgage broker, you can begin creating a wish list with some guidance on affordability. The below should help you start:

Preferred suburb or area – Consider proximity to work and family. You may also want to consider future benefits e.g. Proximity to schools or market performance.

Type of property – House, apartment or in between. How many rooms will you need? Any key features e.g. Air-conditioning, outdoor area or garaging.

Our hot tip: Many of us dream of the ultimate mansion, however the reality is most of us do have a budget. Try to narrow down your wish list by eliminating "nice to have" versus "must have".

3. EXPLORE THE MARKET

Once you have narrowed down your wish list, it's worth exploring the market. There are many easy-to-use tools online, we can also provide you a comprehensive list. There are also a myriad of builder's display homes and real estate open houses. Keep in mind with builder's display homes, most will have spent over *double* the average consumer's budget, to present the most stunning and shiny new example of a building. Add to this the high-end budget on staging / furnishing, it's any wonder people fall in love at first sight. It's hard to understand that these are simply the builder's most expensive marketing and advertising tool. Those in the industry know if they can wow you with glimmer and glam as you walk through the door, you'll lessen focus on the more important factors like the end budget, cost comparatives, quality of material and workmanship, actual inclusions versus add on sales and probably the most important factor, delivery of service and warranty support.

Our hot tip: It's important to keep in mind that while these are great for getting started, they will not provide some of the highly detailed information required to make an informed decision. You may wish to speak with a trusted specialist.

4. ASSESSING A PROPERTY

Buying a property regardless of your experience can be exciting, stressful and even scary. Taking the leap for the first time could even be overwhelming. To help alleviate any anxiety and avoid a stressful and costly experience, which could continue well after your purchase if you get things really wrong. We recommend you commence a very careful assessment of the property you intend to purchase, whether that be land for an eventual build, a newly built property or an existing home. It is of course helpful to have an experienced and trusted specialist guide you through these to avoid surprises.

A list of the key areas to consider follows below:

- *Compare the market* – How is the property placed against similar options? Will a bank favourably consider lending, based on the contract price? Are there risks of the market dropping between signing the contract then obtaining the loan and settling?
- *Physical inspection* – What do you see beyond that shiny new kitchen? Have you considered privacy and security? Have you considered the nearby environmental impacts? Have you considered the orientation and aspect? Is the site level and free of impediment? Are there likely to be substantial costs for improvements or maintenance? Are services available for sewerage, water and electricity?
- *Legal restrictions* – Are there items on title or lodged against any part of the property that may restrict or impact your use and enjoyment of the property? e.g. Easements, Covenants, body corporate, Government interests, boundary alignment, height restrictions, planning restrictions, future development.
- *Consider ongoing costs* – In addition to your new home loan there will be a number of costs associated with property ownership. While property costs are inevitable as a property owner, it's important to understand and consider how these apply to each specific property, as they can vary widely.

Council Rates & Government Levy – These are contributions towards maintaining and improving your area. They may also allow for things like emergency services and large specific projects that ultimately benefit the community. The amount payable is based on a

formula devised by the Local council and State Government. The two main components for the calculation are the rated value of the property along with the property use category, resulting in a variable of fees.

Water and Sewerage Rates – These are often calculated similar to the above rates. There will be a set supply and service charge for each, with an additional scale of fees for usage.

Body Corporate Fees – While some may suggest avoiding these at all costs. They are near inevitable when purchasing apartments, townhouses and in modern times even some housing. While it is imperative to understand the cost, often these fees are simply misunderstood and haven't been broken down. The main functions of Body Corporate are to maintain, and manage the property, along with all associated properties and the common property. e.g. driveway, carparking, foyer etc. A property without Body Corporate will still require these things however there is no formal plan in place, ongoing cost analysis or allocation of funds. Body Corporate can be perfectly acceptable, however you must always carefully consider and analyse the fees and Body Corporate records. There are instances where fees are extremely excessive due to mismanagement or large maintenance requirements. I have heard of cases where buyers have bought what seemed to be the bargain of the century only to discover excessive fees many thousands beyond the average to cover expensive maintenance and refurbishments.

Insurance – Building and contents insurance are important to cover your investment. Building insurance is also a requirement by lenders and will almost always be included in terms of your loan agreement. There are many providers with various levels of cover on offer, you definitely do not want to be under insured to save a few dollars a week.

Maintenance and repairs – If you purchase an existing property, or buy new without support, you will need to budget for maintenance and repairs. Something as simple as a hot-water service that showed no hint of breaking, may become a nasty surprise. You'll then be wondering how to find a couple of thousand dollars overnight! One of the advantages of building new, providing you have the right builder and contract in place, is that you can essentially avoid these costs for the first 3 – 5 years.

5. *REAL ESTATE AGENTS, BUILDERS AND PRIVATE SELLERS*

If you are choosing to venture out into the world of property, without assistance from a House and Home Co specialist, there are some critical things to consider. While there are many professionals out there in the real estate and building industries, you need to be aware of their motivation and who's interest they represent. Real Estate agents typically act for the seller. This is both due to their legal appointment from the seller and their income paid by the seller. Builders and their salespeople will ensure their best interests in any offering and their goal is to be as profitable as possible from your build. While they understand you are important for these transactions to take place. They are not there to ensure you consider or understand your choices, forewarn of potential issues, or hidden costs. Certainly not to ensure your goals and future have been considered. Engaging with a private seller can significantly increase your risk. There is very little governing a private seller's actions and certainly no way to know of their reputation. Dealing with family and friends may even add a further degree of risk and ultimately stress for all. While the carrot of "no agent fees" or "before market price" may seem too good to pass on, you should logically consider why this person is doing you a favour. Unfortunately, it's often the case that people realise after signing contracts that the only person the seller was doing a favour was themselves.

6. *REVIEW ALL CONTRACTS IN DETAIL BEFORE*

This is one area where it does not pay to go it alone. Contracts and documents for property and construction transactions are extremely detailed and complex. There can be unexpected implications which may seriously affect you. Some of the common issues involve deposits, omitting buyer protections, sunset clauses, omitting inclusions, use of prime cost and provisional sum and even being liable for damages relating to exiting a contract or default on settlement.

If you do choose to proceed without guidance, ensure you read, and study thoroughly. Once signed even an expensive lawyer may be of no relief. When signing the contract, it is the recommended time to engage the appropriate form of insurance cover. As the contract may bind you to the purchase, even in the event of the unexpected.

7. *BUILDING INSPECTION*

When considering existing property and even newly built, it is highly recommended you engage a suitable and experienced person to assess the building for faults, defects, maintenance and compliance. Aside from obvious termite question, there can be a whole raft of issues even in newer buildings. These may result in thousands of unexpected repairs, or in extreme cases removal of unapproved structures.

8. *PROPERTY SEARCHES*

Before a buyer completes settlement of any property, there is some key information which must be confirmed to protect the buyer's interests. The first which may sound odd, is confirming that the seller is in fact the actual owner. There have been cases of minority partners and even renters who have attempted to falsely sell properties. Other important searches relate to outstanding rates and penalties, notices, building approvals, registered interest and caveats. It is best to engage a reputable conveyancing specialist to complete these on your behalf and guide you through any flags.

9. UNCONDITIONAL CONTRACT

Once checks are complete and financing has been approved along with any other conditions it is time to deem the contract unconditional. There are usually timelines in place relating to everything from completing certain conditions to the settlement period. It is important to understand that once a contract becomes unconditional, the buyer is bound to the contract terms and conditions and must complete settlement as agreed. Delay or even failure to settle could result in legal action, including pursuing damages. Please note building or construction contracts have very different structures and are treated separately.

10. COMPLETE LOAN AGREEMENTS

Time to ensure the final terms of any loan has been agreed and loan agreements have been completed. Any delay may result in funds not being ready for settlement.

11. PRE-SETTLEMENT INSPECTION

You should inspect the property 2–3 days before settlement. Make sure it's still in the same condition as when you signed the contract. In particular, check anything you specifically included in your contract. Please note there is a completely separate process for new house and land inspection.

12. SETTLEMENT

Settlement is the completion of the property transaction. Final funds will be transferred and received by the seller or their representative. Title will be received for the property and in most cases the buyer will receive keys and possession of the property. Default or delay of settlement by either the seller or the buyer may result in further negotiation and possible legal action. Without settlement, it is unlikely the buyer will be able to take possession of the property. Please note the process for new house and land handover is very different.

13. WARRANTY AND CLAIMS

In most cases when purchasing real estate or existing property, there will be no statutory warranty or ability to claim if something is defective, or doesn't perform as expected. While many consumer products may have a minimum 12-month warranty or after purchase replacement guarantee. Unless specified within your contract, or clearly stated by the seller/agent, an issue discovered following settlement will be the buyer's responsibility.

In new construction and in some cases newly built property, included are minimum periods for defective building work. Also various periods of warranty for fixtures, fittings and appliances.

Speak to House and Home Co to help you with your first home.

Dan Perryman
Principal
House and Home Co

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