

helpful information on
purchasing a property





From the beginning

Purchasing residential real estate can be a very exciting process, however it can also be a confusing time for the prospective purchaser. As you may already be aware, different real estate agencies usually have different guidelines on purchasing, so we would like to inform you of the buying process should you decide to purchase a property through Starr Partners.

Should you decide to secure or make an offer on one of our listed properties, we will ask you to confirm the following details, enabling us to help you in the best possible way.

1. The actual purchase price you will be paying for the property.
2. The method by which you choose to pay the 10% deposit. eg. cheques / bond / other.
3. The settlement period that you require.
4. The name of your chosen Solicitor / Conveyancer.
5. The name of your bank or financial lending institutions.
6. Any special conditions or requests that you may have so that we can inform the property owner.
7. The inclusions being left by the owner on settlement.

Once we have the above information, we are in a position to arrange a meeting with the owner.

Helpful Tips

Property owners receive all types of interest – some genuine, some not. Some people submit offers to test the market, but do not actually proceed with their offer.

This can lead to frustration and concern for the owners as they try to assess who is actually a genuine purchaser. All offers are required to be submitted in writing to the owner. The best way to present a strong offer on any property is to utilise your purchasing option of the 5 day Cooling-Off Period available in all NSW property Contracts Of Sale.

The cooling off period is only available to the purchaser and allows for an offer to be submitted to the owner in writing, on the Contract for Sale. This clearly demonstrates to the owner that you are serious about your offer. The owner has no cooling off rights.

Once an agreement on price, settlement, conditions etc has been reached with the owner, the sale can proceed. An exchange of contracts is the only way to actually buy or sell a property. Any verbal agreement is not legally binding. The exchange of contracts occurs when the purchaser and vendor each sign an identical copy of the proposed contract for the sale. The exchange of contracts can be made according to terms under either one of the following options on the next page.

Exchange of contracts

Option One: Unconditional Exchange

This means the purchaser's solicitor has signed a 66W certificate. This certificate waives any cooling-off period and makes both parties committed to an instant, legally binding relationship.

This option also applies when a purchaser is the successful bidder at auction or exchanges on a contract on the same day as the auction. There is NO cooling-off period.

Option Two: Exchange with a Cooling Off Period

Exchange of Contracts (subject to a 5 day cooling-off period)

As sales agents, we can only exchange contracts with a cooling-off period. This period lasts for 5 working days and allows the purchaser the right to rescind the Contract of Sale for any reason. This period commences upon exchange and terminates (in New South Wales) on the fifth working day at 5pm E.S.T. Remember that Saturday and Sunday, along with public and bank holidays, are not business days. The vendor may extend this period by a clause in the contract or by notice in writing given before the end of the period.

The cooling-off period is created to allow the purchaser time to organise inspections and reports, check the contract and to finalise finance approvals in writing.

If you are wishing to seal a deal, it is important that you understand the commitment level required by both the purchaser and owner.

Cooling-Off period

Cooling-Off: Facts and benefits for the Purchaser

The signing of a five day cooling-off period is a great way to purchase. This method provides full protection against:

- The vendor pulling out of the sale
- Another purchaser paying more for the property ("gazumping")
- Any government body wishing to purchase the property

With the contract exchanged, the purchaser has total control and time to ensure that everything is to their liking. However, this protective method requires commitment by the purchaser. For example, if the purchaser pulls out of the contract during the cooling-off period, a financial penalty is incurred. The purchaser on rescission forfeits 0.25% of the purchase price (\$250 in \$100,000 \$500 in \$200,000; note that no minimum amount is specified). This money is payable directly to the owner. If not, the owner has the right for recovery of the 0.25% purchase price as a debt, where either no deposit has been paid or the amount of the deposit was insufficient.

Cooling-Off period

Cooling-Off: Facts and benefits for the Purchaser (cont.)

In some cases, a purchaser does not wish to sign anything without their solicitors/conveyancers approval. If this is the decision, Starr Partners will issue the potential purchaser with what is known as a Sales Advice. This contains all the relevant details of the sale. Your solicitor/conveyancer will then make contact with the owners solicitor/conveyancer and proceed with reports and checking of contracts with no determined time-frame for exchange.

However, it is important to note that whilst this is taking place, the property will remain on the market and anybody wishing to make an offer can do so. Note; It is a legal requirement that every offer put forward must be presented to the owner. Although you may be a day or two ahead with your solicitor/conveyancer, any other interested party is able to sign the Contract of Sale under a cooling-off period as specified above in Option 2. The property is then secured by another buyer, leaving you no option to purchase.

The fact is, although some solicitors/conveyancers may not want you to purchase using a cool-off period, it is the only way to actually secure a property (other than option 1), allowing for time to conduct necessary research.



Tips and Hints

1. General Tips

If you want to make an offer, be certain that you can follow through by having the following items confirmed.

- A pre-approval of finance from your bank or lending institution.
- Your own property sold, or at least assessed for value and possible sale time.
- You have a solicitor or conveyancer selected.
- Determine how you will be paying the 10% deposit and associated costs.
- An idea of settlement times required before you take possession.

2. Building & Pest Reports

Before you purchase any property it is important that you receive a copy of a Pest and Building Report from a qualified inspector.

Please note that this report is a complete list of defects of the property, and is very different from the feature brochure that you receive from Starr Partners. Most people are shocked with the report they receive on the property, and most of the time misinterpret the report, eg: the property is 24 years old and is in need of new roof tiles. Roof tiles last approximately 25 years and need replacing on every property of that age. The point to remember here is that all properties at one time or another require maintenance, and that this is known as a capital improvement on the property.

3. Bank Valuations

Don't be alarmed if your bank or lending institution requests a valuation by a registered property valuer.

This is normal practice of lending institutions, and serves as confirmation of the agreed sale price. It is not unusual for the bank valuation to be less than the agreed purchase price.

Bank valuations are normally conservative, to help protect the bank from any market fluctuations.

4. Buying at Auction

If you are intending to buy at auction, all the above-mentioned must be in place. Auction day is final.

If you turn up to bid and you are the highest bidder above the reserve price, you will be required to sign an unconditional contract immediately, pay the 10% deposit and proceed with the purchase.

Summary

Preparation is the key. Understand your rights and have everything in place. If you follow the advice in this document, along with that of your solicitor and your Starr Partners agent, you will be on your way to securing the right property for you.

Whether you are considering purchasing property in the near future, or are currently in the process of buying a property through another company and in need of advice, please feel free to call any of the Starr Partners sales team with any questions that you may have.



starrpartners.com.au