

GUIDE

BUYING A HOME

#McGRATHKNOWLEDGE



McGrath

GUIDE

BUYING A HOME

Buying a home is one of life's biggest and most rewarding decisions. As it is undoubtedly one of your largest investments, it is a process filled with emotion and excitement. However, the vision of owning your own four walls is still the ultimate Australian dream.

Since 1988 we have helped thousands of people find their first home, dream home, investment property and everything in between. This guide has been written to help you navigate the path to a successful purchase.

Filled with practical insights into the process of buying, negotiating an offer and bidding at auction, this is your ultimate tool for real estate success.

INTRODUCTION	CHAPTER 1	CHAPTER 2	CHAPTER 3	CHAPTER 4
p. 2	p. 3 Researching the property market	p. 5 What is a buyer and seller market?	p. 8 Pre-purchase due diligence	p. 11 Working out how much to offer

CHAPTER 5	CHAPTER 6	CHAPTER 7	CHAPTER 8	CHAPTER 9
p. 13 Buying a property via private treaty / private sale	p. 16 Buying a property via tender / expression of interest	p. 18 Buying a property via auction	p. 20 Making a pre-auction offer	p. 22 Successfully buying at auction

RESEARCHING THE PROPERTY MARKET

CHAPTER 1



CHAPTER 1

RESEARCHING THE PROPERTY MARKET

The first step to successfully buying a property is to immerse yourself in the property market. To spend time understanding what is happening in the wider national economy, what stage of the property cycle your state or territory is in, and specifically what is happening in the area you are looking at buying in.

Without this clarity you do not know what price you should expect to offer for a property or bid at auction.

Here is a look at some of the resources you have your fingertips and others you can discover at open homes and by exploring neighbourhoods.

HOW TO RESEARCH THE MARKET:

Talk

to your local
McGrath
Sales Agent

Research

property
market
data

Find out

what properties
have sold,
how much they sold
for & what is on
the market

Your local McGrath Sales Agent lives and breathes real estate in the area and are in a great position to share insights into the local market conditions and current buyer activity. They are aware of properties that are coming on the market, properties that are being sold 'off-market' and the general profile of the suburb. Talking to our local agents is invaluable when buying. Connect with your local Sales Agent [here](#). (link)

For information about the different types of properties such as freestanding houses, semi-detached, townhouses and high-rise apartments and the impact this has on the purchase price, visit McGrath Knowledge Centre.

Property and market data is available from websites such as our very own [mcgrath.com.au](#), CoreLogic, Australian Property Monitors, on social media and via online searches. These information rich resources will provide insights into supply and demand, pricing, trends and forecasts.

Additionally, most government websites provide reports or community profiles, that disclose information about council plans, development projects or building regulations.

Real estate portals such as [realestate.com.au](#) and [domain.com.au](#) provide a comprehensive list of homes for sale and historical sales data. They also have powerful search tools that enable you to sift through the entire market from the comfort of your lounge room.

If the majority of properties are selling via auction, make sure you visit a number of auctions before you bid on one that you want to buy. Watch how people bid, talk to buyer's agents and real estate agents or auctioneers. This is a great way to understand the different bidder types and to work out what bidding strategy might suit you.

WHAT IS A BUYER AND SELLER MARKET?

CHAPTER 2



CHAPTER 2

WHAT IS A BUYER AND SELLER MARKET?

You may have heard the terminology – a 'Buyer's Market' and 'Seller's Market', but what are they and how do they affect you as a buyer?



A seller's market is a real estate term that describes a market that has more real estate buyers than sellers. Effectively, there are not enough properties on the market for all the buyers, or in other words, demand outstrips supply.

WHAT ARE THE SIGNS OF A SELLER'S MARKET?

- Homes are selling for high prices – even in 'original condition'
- There are few homes for sale
- The economy is on the rise
- Properties are selling quickly

WHAT DOES THIS MEAN IF YOU ARE A BUYER?

During a seller's market demand is high and sellers are often inundated with multiple offers. Prices often rise, more buyers offer non-contingent contracts and buyers are less likely to ask sellers for concessions or changes to the contract.

If it is a seller's market and properties are being snapped up quickly it may be better to put down your best offer first. This is where doing your market research becomes important. Knowing what you should be paying for the property based on market data and discussions you have had with the Sales Agent, is key to having your offer accepted.

TIPS ON MAKING AN OFFER IN A SELLER'S MARKET

- Don't offer lower than the listing price
- Consider offering a larger deposit
- Don't request favours or have too many conditions to the sale
- Offer the seller a few extra days to move out after settlement
- Submit pre-approval of your loan and proof of funds documentation



A buyer's market occurs when there are more properties on the market than there are active buyers. In this type of market, buyers have more choice.

WHAT ARE THE SIGNS OF A BUYER'S MARKET?

- Signboards are popping up everywhere
- Properties are consistently selling for less than expected
- Properties stay on the market for longer than the average
- Asking price for properties start to drop
- Sellers start to offer 'extras' as part of the sale eg: longer settlement

WHAT DOES THIS MEAN IF YOU ARE A BUYER?

In a buyer's market whilst you may have more choice and therefore feel like you have more time to make a decision on what to buy and how much to offer, if you have found your dream property, do not wait to put an offer in. Go in with a strong offer and go in quickly.

TIPS ON MAKING AN OFFER IN A BUYER'S MARKET

- Understand recent comparable sales
- Talk to the sales agent about what the owner may accept
- Go in with a strong offer based on market conditions
- Submit pre-approval of your loan and proof of funds documentation
- Be prepared to negotiate and make sure you are ready for a 'yes'

PRE-PURCHASE DUE DILIGENCE

CHAPTER 3



CHAPTER 3

DOING YOUR PRE-PURCHASE DUE DILIGENCE

Buying a home is a major investment, so you want to ensure you are buying a property that has passed a thorough due diligence check.

Here are some key considerations to help narrow down your search.



Location

AMENITIES

Are you near the amenities you need such as public transport, schools, shops, medical centre, cafes etc?

UPGRADES

Are there any planned upgrades? Are these beneficial or not?

WALKABILITY

Can you easily walk to shops, public transport and other services?

SAFETY

Does the suburb have a low crime rate?

NEIGHBOURHOOD

Are the homes in the area well maintained?

LOGISTICS

How long will it take to get to work?

DEVELOPMENT PLANS

How do these affect lifestyle and property price?

Property

COUNCIL RESTRICTIONS

Are their zoning/area restrictions?

FLOORPLAN

Does it have the right configuration?

ASPECT

What is the aspect, views and outlook like?

RENOVATIONS

Have any renovations been approved by local council?

OWNERSHIP

If it is an apartment is it strata or company title?

ACCESS

Are there any shared driveways, entry ways?



Finances

HOME LOAN

Have you stress tested your finances to ensure you could still make repayments if interest rates were to rise, or if you were unemployed for a while? Click here for our home loan calculator or visit [oxygen.com.au](https://www.oxygen.com.au)

REPAIRS AND MAINTENANCE

Have you budgeted for additional costs to maintain and repair the property while you live in it?

PRICE

Have you researched the market and know how much you should expect to pay for a similar property?

DEMAND

How much demand is there for the area? Will you be able to sell or rent the property out quickly if you need to?

Inspections

OPEN HOMES

Have you thoroughly inspected the property using our inspection checklist? Visit the McGrath Knowledge Centre to download our house and apartment checklists.

EXPERT REVIEW

Was the building and pest inspection report satisfactory?

WORKING OUT
HOW MUCH TO OFFER

CHAPTER 4



CHAPTER 4

WORKING OUT HOW MUCH TO OFFER



UNDERSTAND THE LOCAL MARKET

If you have immersed yourself in the local property market and spoken at length with the Sales Agent, you will have a very clear idea as to how much the property should be worth. What similar properties have sold for recently and what is currently on the market and for how much.

A number of factors such as the skill of the agent and people's emotions can see prices well and truly exceeding market value, but knowing what it should sell for is a key first step to working out how much you should be prepared to offer.

KNOW WHAT YOU CAN AFFORD

Knowing how much you can spend is key here. Your offer should not be more than you can afford, nor more than has been conditionally approved by your lender. You should also have taken into consideration all upfront and ongoing costs as part of your budget planning.

UNDERSTAND YOUR COMPETITION

Talk to the Sales Agent and ask them whether any offers have been received, when they were received and if they were rejected, why? From these discussions you will be able to quickly piece together the level of interest in the property and an idea of the price point the seller rejected and importantly what they may accept.

BUYING A PROPERTY VIA PRIVATE TREATY / PRIVATE SALE



CHAPTER 5

BUYING A PROPERTY VIA PRIVATE TREATY / PRIVATE SALE

This is the most common way of buying a home in Australia and it is when the home is for sale with a set price.

Whilst it has a listing price, rarely does the property sell for this price. What normally happens is after a period of negotiation where offers pass back and forth between the seller and the buyer, they will come to a mutually agreeable price and the property will be sold.

Once both parties are happy, the Contracts of Sale are signed and a deposit of approximately 10% is made. This method normally offers a cooling off period, however some sellers request the buyer waive the cooling off period as a condition of the contract being signed.

If there is a cooling off period, the buyer can complete the final legal, building and financial checks. Keep in mind if the buyer pulls out of the contract, they may lose a percentage of the deposit, so make sure you discuss all of this with your lawyer or conveyancer before you sign anything.

What are the advantages of buying a property by private treaty / private sale?

1. **Greater flexibility** for negotiation. A contract can be signed subject to certain conditions being met such as a building inspection, finance approval, repairs to the property.
2. You may have more time to make a decision therefore there is **less emotion** than an auction.
3. There is **more certainty** regarding the price than at auction.
4. Buyer's usually find it easier to stay within their **financial comfort zone** as the emotion of the auction is removed.
5. You **do not have to pay** for any report until you have signed an agreement to buy the property.
6. In most cases you have a **cooling off period** allowing you to complete your due diligence and finalise your finances.

MAKING AN OFFER

Negotiating the deal is at the heart of a private treaty / private sale and given that most people only buy and sell a handful of properties in their lifetime, it is understandable that most buyers feel unsure about the process.

To help you, here are our top tips on making an offer and negotiating a private sale.

How to successfully make an offer and negotiate a private treaty / private sale purchase

□ MARKET RESEARCH

Ensure you have thoroughly researched the market and spoken at length to the sales agent and worked out what the property is worth and the right amount to offer.

□ PRE-APPROVAL FROM LENDER

Ensure you have pre-approval in writing from your lender and have done your financial due diligence to ensure you can still afford the repayments if the interest rates change or you were to be unemployed for a period of time.

□ MAKE AN OFFER

Although it may be a good idea to make an offer slightly below the asking price so you can negotiate upwards, don't go unreasonably low.

□ SIGN CONTRACT

Deliver a signed contract with a cheque for the deposit to the agent and send an email to both the agent and the vendor's solicitor. They are legally bound to advise their client of your offer.

□ ATTACH A CHEQUE

By attaching a cheque to a signed contract, you can make your offer much more appealing.

□ SEEK LEGAL ADVICE

Never sign a contract unless you have had the appropriate legal advice from your solicitor or conveyancer. An offer isn't legally binding, but a contract is, so making sure you know what you are signing is paramount.

□ KNOW YOUR BUDGET

Know the maximum amount of money you are prepared to pay for the property and stick to it.

□ BE QUICK

Speed can be important. If you love a property and have done all of your due diligence, be ready to make an offer quickly as properties are often snapped up in a few days after hitting the market.

□ BUILDING & PEST REPORTS

Ensure your building and pest inspector is on standby to inspect the property if your offer is accepted.

BUYING A PROPERTY VIA TENDER / EXPRESSION OF INTEREST



CHAPTER 6

BUYING A PROPERTY VIA TENDER / EXPRESSION OF INTEREST



In an expression of interest or tender sales campaign, buyers are invited to submit their best and final offer to purchase a property by a specific closing date and time.

Following this, the seller, normally in consultation with their agent, will review the offers. If an acceptable offer is not received, the property may be sold via another method or an Expression of Interest may be called again.

This method of sale is most suitable for very expensive or unique properties.

What are the advantages of buying a property by Tender / Expression of Interest?

1. The closing date creates **a sense of urgency.**
2. Buyers can **discreetly submit offers.**
3. The private nature of the sale process, allows the **selling price to be kept discreet.**
4. **Indicates the true value** of the property through competitive nature of the offers.

BUYING A PROPERTY VIA AUCTION

CHAPTER 7



CHAPTER 7

BUYING A PROPERTY VIA AUCTION

An auction is a public sale by a licensed auctioneer where the property is sold to the highest bidder.

The vendor will set a reserve price in consultation with their agent. This is the lowest amount they are prepared to accept for the property.

If the property reaches the reserve price, the property will be sold to the highest bidder. Contracts will be signed, and the buyer is expected to pay a 10% deposit there and then. Importantly there is no cooling off period when you buy via auction so all of your due diligence must be done prior to auction day.

If the bidding doesn't reach the reserve, the property is 'passed in' and the agent will then begin negotiating with the highest bidder in an effort to achieve a price both parties are happy with.

There are a number of key advantages of buying at an auction which can include:

1. **Transparent sales process.**
No negotiation done behind the scenes.
2. **The price is benchmarked** with other buyers in public.
3. You can **assess the competition** on the day and observe them bidding.
4. You get an **immediate result** as there is no cooling off period.
5. If you are the winning bidder, **you will buy the property.**
6. High degree of comfort that **the price is right.**

MAKING A PRE-AUCTION OFFER

CHAPTER 8



CHAPTER 8

MAKING A PRE-AUCTION OFFER

Depending on what market you are buying in may determine whether you make a pre-auction bid or not. For instance, if it is a buyer's market, the seller may be keen to accept an offer before it goes to auction, particularly if the offer is close to the price they are expecting.

In a seller's market you may find they are less likely to accept the offer, but if you are offering a fair price, based on your market research it is worth a try, the seller may be keen to sell quickly.



How to put your offer forward?

1. Go in with a **strong offer** early in the campaign. A vendor may be keen for a quick sale for a good price.
2. **Don't make low offers**, it is better to go in with a price you would be prepared to pay at auction.
3. Make sure **the offer is in writing** and sent to both the agent and the vendors solicitor.
4. When you make the offer send over a **signed contract**.
5. Consider offering a **larger deposit**.
6. **Don't include a whole lot of conditions** with your offer.
7. Show the vendor that **you have financial approval** to spend the amount you are offering.
8. **Give the vendor a time limit** to make their mind up.

SUCCESSFULLY BUYING AT AUCTION

CHAPTER 9



PREPARING FOR AUCTION DAY

Unlike private treaty sales, if you buy a property at auction, you are legally obliged to go through with the sale. There is no cooling off period. So, as a buyer you need to conduct your due diligence before bidding.

Here are 10 considerations to ensure you are auction ready:

1. BUILDING & PEST INSPECTIONS

All inspections including building and pest inspections have been conducted.

2. PRE-APPROVAL FROM LENDER

You must have financial pre-approval to spend to your maximum limit.

3. KNOW YOUR FINANCES/BUDGET

Ensure you have stress tested your finances to ensure you could still make repayments if interest rates were to rise, or if you were to be unemployed for a while.

4. LEGAL ADVICE

The contract has been reviewed by your lawyer or conveyancer.

5. VARIATIONS

Any variations to the contract must be agreed prior to auction day as there is no cooling off period and no flexibility to make changes to the contract after the auction.

6. KNOW YOUR COMPETITION

Make sure you understand the expected demand for the property. Ask the agent how many buyers have requested contracts, conducted building inspections or even just the number of people who have inspected the property. This can give you an idea of the properties demand.

7. COMPARABLE SALES

You have a good understanding of the likely selling price based on comparable market analysis and you have finances approved to this level.

8. HAVE A BUDGET

Make sure you set a limit and most importantly stick to it.

9. BUYER'S AGENT

If you are uncertain, employ a buyer's agent to bid on your behalf or ask an experienced friend to help out.

10. ATTEND OTHER AUCTIONS

Attend other auctions prior to your auction day to get a feel for the flow, how people bid and what style of bidding may suit you.



HOW TO SUCCESSFULLY BID

If you have made it all the way to auction day you are undoubtedly feeling a combination of nervousness and excitement. Unfortunately, there is no bidding strategy that guarantees success, apart from having the most amount of money to spend.

Over 30+ years of selling properties via auction we have seen a number of different techniques work and you need to find the one that suits you best.

Here are some proven ways we have seen buyers succeed at a competitive auction.

- Project confidence, that you are determined to buy the property. This can be achieved by your tone of voice and how you bid. This can help flush out more timid buyers.
- Consider offering a low bid to start the auction. You will quickly see who the other buyers are, and you will get yourself on the radar of the auctioneer.
- As bidding starts to heat up make bids fast and assertive and immediately respond to another buyers bid with a higher bid. This helps create a perception that you don't have a limit.
- If the auctioneer starts saying 'going once, going twice' put a bid in and if another buyer adds to it, immediately come back with higher bid.
- If the bidding is down to smaller increments call out the full amount of your bid. Hearing the full amount may alert other buyers that they are at, or are over their limit.
- Don't look nervous and talk to your partner as it looks like you are near or possibly over your limit.
- Most importantly – be prepared to bid confidently up to your limit then walk away – there is always another property.



A FINAL WORD

There can only be one successful buyer of a property and whilst you may have fallen in love with a place and be disappointed you have missed out, stay motivated. We see time and time again, buyers go on to find a more suitable property within their price range. And positively what we often hear is, "I missed out on a property a month ago, but you know what, the property we ended up buying is much better".

DISCLAIMER

All information has been obtained from sources believed to be reliable. McGrath Limited and its subsidiaries, together with their directors, officers, employees and agents have used their best endeavours to ensure the information passed on in this document is accurate, however they have not checked this information and have no belief either way as to the accuracy of the information contained in this document. Any recommendations, views, guidance and forward looking statements are opinions only, not guarantees of future performance or advice, and should not be relied upon. You should make your own enquiries in relation to the information contained in this document. Before making any real estate decisions contact your financial advisor, broker and accountant. This document is to be used as a guide only.

© McGrath Estate Agents 2019

All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other non-commercial uses permitted by copyright law. For permission requests, write to the publisher, addressed "Attention: Marketing Coordinator," at the address below.

McGrath Estate Agents
55 Pyrmont Road
Pyrmont NSW 2009