

Negotiating to buy a Property

Below are some hints and tips when negotiating to buy a property. In all cases, you should seek legal advice because you will be entering into a legally binding contract. This document should be viewed as a general guide only.

Before you find a property

- Select a legal representative to assist you with the property purchase. Ask prospective solicitors/conveyancers if they are prepared to review a few Contracts of Sale (also known as Vendor's Statement Section 32) before you secure a property.
- Select someone to conduct a pest and building inspection, so that you have their contact details on hand when you find a potential property.
- If you need finance, consider arranging pre-approval through a broker or lender, so you can know your buying power.

When you find a property that you really like

- Inspect it on a number of occasions and try to visit the street at different times of the day and week.
- Ask the real estate agent for a Contract of Sale (Vendor's Statement Section 32). They can usually be obtained from the real estate agent by email or during an 'open for inspection'.
- Forward the documents to your legal representative and ask them to advise you if there are any issues that you should be aware of.

Potential issues could include an unusual title, detrimental planning permits, or owners' corporation management concerns (for home units).

Some issues identified by the legal representative may be referred to your broker to ensure that your finance will not be affected; other issues are simply a matter for you to consider and decide if it affects your opinion of the property.

Put yourself in the shoes of the vendor (and agent)

- Is the asking price realistic? Conduct your own research into recent property sales of similar types of property in the area.
- Before making an offer, ask the agent if the vendor would prefer the settlement period to be long or short. This information may give you an indication of the vendor's eagerness to sell.

If they want only 30 days for settlement, it may mean that they are very keen to sell, so the vendor may accept a lower price if you can agree to this timing, because other purchasers may not. Alternatively, the vendor may want a long settlement. Settlement can occur on any agreed day.

After the contract is signed, the date can be brought forward by agreement, but if you request an extension there is a risk of financial penalties to you.

- If you were the vendor, would you accept an offer with all the conditions you'd like to include? Adding extra conditions may reduce the purchaser's risk but the vendor and agent might see a greater risk of the sale falling through.

This could have implications for the vendor and agent. Marketing for the property will stop during the settlement period; however, it will have to be restarted if the agreement falls through. This uncertainty may reduce the chance of your offer being accepted and can be an important factor if you are making an offer prior to an auction when vendors may not accept many (if any) conditions.

Consider the terms and conditions of your offer

It is not only the purchase price that is important. The amount of finance required (shown as \$Y below) is important and should be discussed with your mortgage broker before making an offer.

Typical phrases you might use to make an offer

- I want to make an offer of \$X for the property.
- My preference for settlement is 90 days.
- I will need a finance approval clause. Although I've already seen my broker, I need to get formal approval for finance of \$Y from 'ABC Lender' and this may take up to 10 business days.
- My offer is subject to a satisfactory building report to be arranged by me and completed within 48 hours of my offer.
- I don't have 10% cash available for a deposit so I can offer 5%.
- Finally, my offer is also subject to removal of the rusted car body in the front yard prior to settlement.

Remember, a purchase at auction cannot be made subject to conditions; however, you may discuss the settlement and the amount of any deposit with an agent prior to an auction.

Questions you may wish to ask the agent before the auction

- I may bid this weekend and if I am successful, will the vendor accept a 45 day settlement rather than the 60 or 90 days that has been advertised?
- Will the vendor accept a 5% deposit rather than 10%, because this is the amount I have available?
- Will the vendor accept a deposit bond, rather than a monetary deposit?