

## Buying or selling a home



**Government  
of South Australia**

Office of Consumer  
and Business Affairs

## Buying or selling a house

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### Buying a house

Buying a house or home is a major challenge for most people. Your success may depend on how much research you do beforehand and how disciplined you can be with your finances.

When buying a home, ask for help so that you can:

- be well informed of your rights
- compare deals with real estate agents, financial institutions, conveyancers
- be prepared to negotiate
- ask questions if you are unsure
- read everything before you sign anything

And don't rush your decision making.

### *Location*

Make a list of the locations you would like to consider for your home. Check the facilities available close-by such as shops, schools, public transport, parks, childcare or recreation centres. Check with your local council for information about zoning regulations.

Attend as many open inspections as you can to gain a better understanding of the layout and amenities you want in the home.

Think about:

- whether you need a unit, townhouse, apartment or a house
- how many rooms you will need, including bedrooms
- how your needs may change over time
- the size garden you want or whether you want a garden
- whether you want an older or newer house
- costs and time if you are planning to renovate
- council regulations on renovations or extensions, and
- council services available in the area.

Real estate agents are required to hand out an information notice that will guide you in considering the house and how well it will provide you with value, safety and enjoyment. You may research the possible presence of asbestos in the building, structural problems due to termites or salt damp, illegal building work, proximity to live music venues, whether the property has a septic tank and so on. The information notice also refers to things like energy efficiency, alternative water connections and sources, and the possibility of illegal additions or alterations.

### *First Home Owners Grant*

You may be eligible for First Home Owner Grants of up to \$11,000 for your first home - that is, a house, flat, unit, townhouse or apartment anywhere in South Australia that meets local planning standards. The grant is not available for renovations to an existing building or for the purchase of vacant land. Applications are made via Revenue SA ([www.revenuesa.sa.gov.au](http://www.revenuesa.sa.gov.au))

### *Borrowings*

The first step to owning a home is to set a budget - work out what you spend and where and how much you can save. Analyse your spending habits and work out

how much you can afford to borrow and repay. Although there are many reasons to justify buying a home, only go ahead if you can really afford it.

The bigger deposit you have the better. You will probably be required to pay mortgage insurance if you are borrowing more than 80% of the purchase price of a property.

Shop around for credit. Always ask questions about fees and charges, and make sure you get help to understand the fine print on all contracts, brochures and information leaflets. Most lenders have websites that offer examples of loan calculators – use these to determine what your limits are and what the effect of interest rate increases would be on a loan. Decide whether a fixed or variable rate loan suits your needs, and whether you prefer fortnightly or monthly repayments. Check if additional repayments are possible.

Include any extra costs when planning your purchase. Lender fees, inspection costs, stamp duty, insurance, legal fees, moving costs, body corporate fees and any outstanding council rates can add thousands to the cost of a new home. You may need extra if you need to do home improvements or renovations.

A mortgage broker can assist in finding the right loan but you are not obliged to use one. Even if you do use a broker, it is best to do some research of your own to be sure that the recommended loan is the right one for you. Brokers are not always independent and may receive a commission from the lender – ask them to justify their recommendations, and always read the loan conditions carefully before signing anything.

## **Negotiating the sale**

### ***Sale by negotiated price***

A house may be offered for sale at a price or within a price range. The normal practice is for the vendor (seller) to set a price, and you negotiate with them, through the agent, until you agree on the price. You can make a realistic offer to the agent based on your understanding of the value of the property. You could make a conditional offer, subject to certain conditions, such as obtaining finance or building inspections.

Make sure you know what fixtures and fittings are included in the sale and check that they have been listed in the contract. Check all measurements and boundaries to ensure that they correspond to those on the title.

### ***Sale by auction***

Many properties are sold by auction especially when demand is high. The vendor will establish a reserve price that they are prepared to accept for the property. The reserve price will not be disclosed to you or the other bidders at auction. Dummy bids (which are false bids, meant to push the price up beyond what real bidders are offering) are now illegal in South Australia.

If you hope to purchase a property at auction you must register yourself as a bidder by completing the appropriate form. You will need to show proof of identity to register.

Ultimately, the bidders determine the price they are prepared to pay for the property. If bidding does not reach the reserve price, the vendor may decide not to sell the house. The vendor may then choose to negotiate a sale with the bidders or choose to put their home up for sale on the open market.

If you are unsure about bidding at an auction, you should consult a specialist to act as your advisor. If someone bids on your behalf they must register your details and provide the agent with a document that authorises them to bid on your behalf.

Research sales data to assess the likely reserve price on the property. Ask the agent what price it is expected to sell for. Consider whether you want to spend money beforehand on building inspections – this is non-refundable if you miss out, but it may be valuable information gained.

Be clear about your bidding limit and try not to get carried away by the frenzy of the situation. **There is no cooling-off period when you buy at auction.** Organise building and contents insurance effective from the date of signing the contract.

### ***Contract***

You will probably be dealing with the vendor's real estate agent during the buying process. They should be your contact for asking questions about the property, for arranging inspections, for communicating your offer(s) to the seller and for organising the contract.

The Form 1 Statement is a document prepared by the agent, and it will contain important information about the property. A solicitor or registered conveyancer can help you to understand the document so that you are in a better position to assess the value of the property to you.

If you decide to make an offer you will need to do it in writing or it will not be passed on to the vendor. If your offer is accepted then the contract documents are signed, by you and by the vendor. You then have a cooling-off period during which you can pull out of the contract, no matter what the reason.

Once the cooling-off period has passed, the contract is binding. This is why you must make sure you understand your contract before you sign; there are consequences if you default on a contract.

### ***Settlement***

Settlement is usually four to six weeks after contracts are exchanged. The settlement date that you agreed to in the contract is the date on which the balance of the purchase price is paid to the vendor in exchange for the title to the property. This is an official process conducted between your legal and financial representatives and those of the vendor.

As one of the conditions in the sale contract, you may require a pre-settlement inspection of the property before settlement to ensure it is in the condition you expect.

### ***After the sale***

Once settlement is completed, your conveyancer will advise you that the sale has proceeded. You should make arrangements for the keys to your new home to be given to you.

## **Selling a house**

Selling a home, like buying a home, is a very big decision to make and it is important that you understand your rights and how to exercise them.

There are various ways to sell your home – some people may sell property without appointing an agent, but this requires some specialised knowledge and familiarity with the process. Most people hire an agent to negotiate a sale or to manage an auction. Research the alternatives thoroughly and talk to other people about their experiences.

### ***Dealing with an agent***

Before a real estate agent can sell your property, you must sign a contract with them called an agency agreement. An agency agreement is a legally binding contract and it is important that you read and understand it. Make sure you are given a copy of the Agency agreement fact sheet which explains your rights and obligations.

The agency agreement that you sign will set out:

- the duration of the agreement
- how it can be terminated
- the commission rate (that is, the payment to the agent for selling your house)
- the strategy for selling your property and the associated fees
- the estimated sale price or price range that the agent has quoted you
- any benefit that the agent will receive as a result of marketing your property.

### ***Selling by auction***

If you are considering selling at auction, make sure to attend a few yourself so that you understand the process.

Prior to the auction you will need to set a reserve price in writing. This authorises the auctioneer to sell the property to the highest bidder at that price or greater. The agent will need to keep written records of the reserve and must record all bids made throughout the process.

You are allowed up to three 'vendor bids' at the auction. They must be announced by the auctioneer, and they must not be at or over the reserve price. The main reason for a vendor bid is to announce that the bids haven't yet reached the reserve and that it is below what you require to sell.

If the property does not reach the reserve price it is 'passed in'. Usually the agent will try to negotiate with the highest bidder after the auction. If a sale is achieved in this way on the day of the auction, the purchaser will not have the right to cool off.

If the property reaches the reserve price it will be sold to the highest bidder. The successful bidder must sign the sale contract and pay a deposit on the spot. There is no cooling-off for anyone who buys a property at auction.

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## Advice in your language

We can give you advice in your own language. Phone 131 450 to use the FREE Telephone Interpreting Service. A person will interpret for you in a three-way conversation.

Ask to be connected to:

Office of Consumer and Business Affairs on:  
8204 9777 Consumer advice  
8204 9544 Renting advice  
8204 9599 Registration of births, deaths and marriages

### For more information, get a copy of:

***It's about the house—Your guide to buying or selling a house***, available as a booklet from the Office of Consumer and Business Affairs. Phone (08) 8204 9516 for a copy to be posted to you.

*The information provided on this sheet is of a general nature only and should not be regarded as a substitute for professional advice and/or reference to the appropriate legislation. The Office of Consumer and Business Affairs is a State Government organisation that can give you information and advice about buying/selling a house or renting a place to live.*