

The **7** **STEP**  
**SYSTEM**  
**BUYING**  
to AUSTRALIAN  
PROPERTY

*By Michael Bentley*

# THINKING OF BUYING A HOUSE OR APARTMENT IN AUSTRALIA?

## AVOID EXPENSIVE MISTAKES. FOLLOW MY 7 STEP SYSTEM FOR INVESTMENT SUCCESS.

By Michael Bentley

If you have thought about buying a property in Australia, no doubt you may be confused on how to start.

And attending a Developers property exhibition, Webinar or Seminar may not be the BEST way forward!

The OTHER way people often buy is by scouring the internet, and the Australian property websites like realestate.com.au and domain.com.au.

So, here are some of the steps you need to take. It can be daunting when you realise what you have to do to buy a property, from long distance, in another country!



# STEP ONE:

## THE INITIAL EVALUATION

-Are you by law a Foreign Buyer? Or Non Resident for tax purposes?

What are you allowed to buy? And what are the fees?

### Do you prefer:

-House or apartment?

-Townhouse or land and build?

-Old, or NEW?

-Low rise or HIGH rise?

-What style? Modern, old, historical?

-The practicalities - how many bedrooms, bathrooms and parking spots?

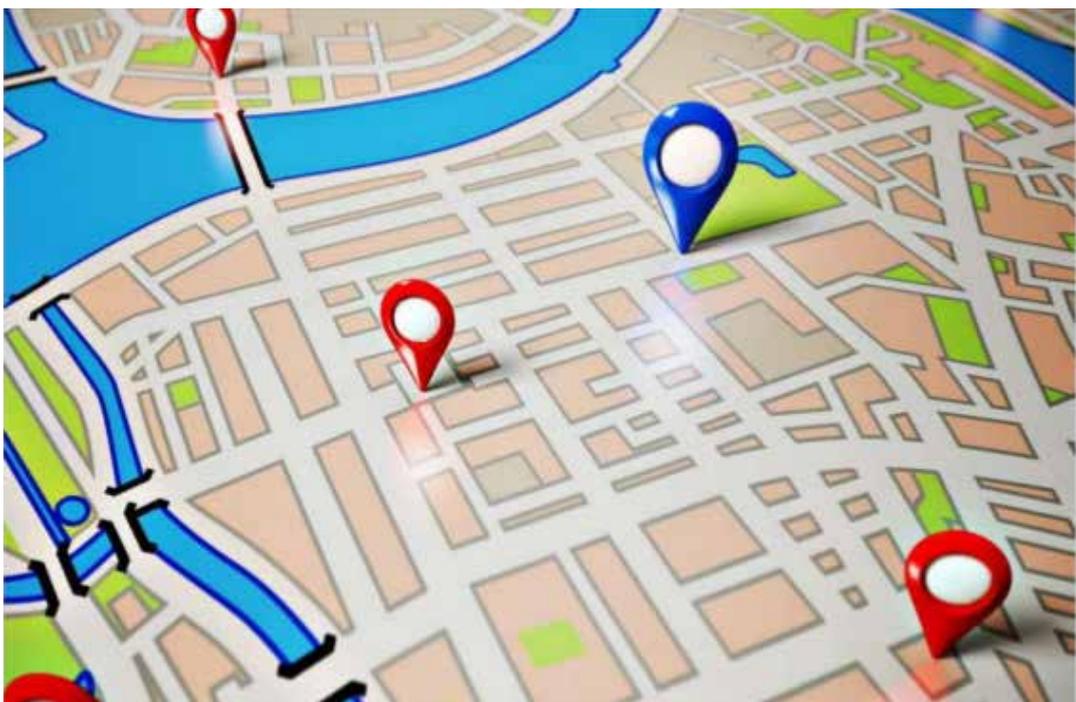
-Swimming pool? Facilities? And HOW important are they?



# STEP ONE:continued

## Location:

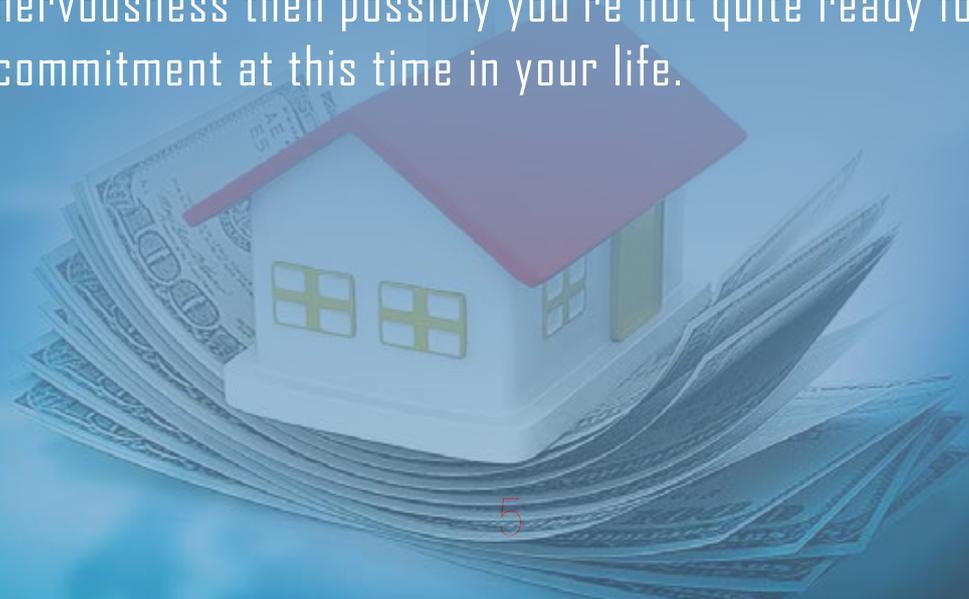
- Which City or Cities?
- Then, which location in THAT city or cities?
- How far from work? From the city? From the beach?
- Is schooling, or university a consideration?
- Is transport important?
- Is being near a hospital important?
- Crime rate and security.
- Infrastructure planned in the area



# STEP ONE:continued

## Investment:

- Going for rental return or capital gains? Or BOTH?
- Is it for investment or own use? Buying an investment property will mean substantially different factors to consider than when buying a home for your own use.
- Long term, or short term strategy? Establish whether you are going to sell it in the short term or if you want to hold onto the property and rent it out long term.
- What are the rental vacancy rates? Are they important? How many properties are on the market? For rent? And for sale?
- Do I need an accountant, solicitor and property management agent? What about a buyer's agent? If so, how and where do I find them?
- Finally, before you leap into finding your dream home, take a breath and ask yourself the big question - "Am I ready?" If you're still experiencing itchy feet and nervousness then possibly you're not quite ready for the commitment at this time in your life.



# STEP TWO:

## HOW MUCH CAN YOU AFFORD OR DO YOU WANT TO PAY?

-After you have completed Step One above, it THEN time to turn to what is your budget.

-How much cash do you want to OR CAN put in?

-Do you have the job security needed to make it work? High job security (12 months plus) will give lenders more confidence in you and will give you a better chance of getting your foot in the door.

-How much will be the costs and taxes on purchase? (Legal fees, accountants' fees, broker's fees, inspection reports, bank fees, council taxes, Government charges, Body Corporate fees, land tax, disbursements etc.)

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▪ Which banks and brokers should I visit?

▪ How much loan can I get?

▪ What is the repayment schedule?

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▪ What is the interest rate?

▪ What currency do I borrow in?

▪ What are the loan fees?

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-Do I qualify for any First Home Buyers grants or rebates, or other Australian Government incentives and help to buyers?

# STEP THREE:

## GET YOUR FINANCE APPROVED!

There is SIMPLY no point in starting to look for properties UNTIL you know you can get a loan, unless you intend to pay for the property in cash.

Do you have multiple credit cards? You may NEED TO cancel some of these or reduce the limits as much as possible. Reducing your limit on your cards will help you secure a larger finance amount. (The banks consider the LIMIT on the cards as a fully utilised debt)

Otherwise known as conditional approval or approval in principle, securing pre-approval before even searching for your home is ideal so you can know your price range.

By providing your bank or lender with your financial details - such as your credit report, savings, income and investments, statement of assets and liabilities, - they will be able to review the information and grant you with pre-approval to borrow up to a certain amount.

### -Decide on the

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- |  |   |                                   |  |  |
|--|---|-----------------------------------|--|--|
| ■<br>Interest rate                             | ■<br>Term of the loan (usually 25-30 years) | ■<br>Whether you can redraw funds | ■<br>Can you make additional repayments and are there conditions attached? | ■<br>How often is the interest calculated? |
| ■<br>Interest only, or principle and interest? | ■<br>Age restriction?                       | ■<br>Fees?                        | ■<br>Full early repayment allowed?   |  |

# STEP FOUR:

## UNDERSTAND THE TAXES

There is no point in buying a property if you LOSE all your rental income or profit in tax.

-It's no secret that Australia has high tax rates. While not especially high compared to many OECD nations, they ARE HIGH when compared to Hong Kong and Singapore.

-What taxes are payable?

-Are there ways to reduce them? Legally?

-Have you heard about LAND TAX? Do you have to pay it? How much?

-Vacancy tax. Does it apply?

-What are Non-resident tax rates?

-How much is Capital Gains Tax?

-Do I pay GST when I buy?

-What is "negative gearing"?



# STEP FIVE:



## **START LOOKING FOR PROPERTIES!**

Finally, you are **READY!**

And it is probably **NO SURPRISE** to you that this step is the step **MOST** people start with! They start looking to buy something **BEFORE** even considering all the other steps above! Because this is the **MOST EXCITING** part of the purchase!

So, where and how to start?

## STEP FIVE: continued

There are numerous property websites, such as realestate.com.au and domain.com.au where you can see old, resale and new properties listed for sale.

This is the way many people start their search.

### Good luck!

This step is where most people come unstuck, as it is SO confusing! So many properties. SO many locations? Sometimes prices are shown, sometimes they are not. Agents ask you to call them. And to come and look. For most overseas buyers this is simply not possible.

A different set of criteria for choosing the type of property to invest in is necessary. For strong capital growth you need to find a property that will increase in value. This can take a while, but look for:

- Areas with high rental yields compared to the property price
- Research recent sale prices for an idea of prices
- Is there a strong rental demand? Look for tight vacancy
- Are there upcoming developments or zoning changes? What impact will they have?
- Is there proximity to schools, shops, hospitals, public transport?
- What will the maintenance costs be like?

## STEP FIVE:continued

- What is the vacancy rate?
- What is amount of rental properties available?
- How much STOCK ON MARKET is there?
- What is the average weekly rental?
- What is the rental trend up or down?
- What is the capital growth trend? Up or down?

You should analyse via a comprehensive market analysis of similar recently sold properties in that area. This should yield a range and you can then choose an offering price based on accurate market statistics.



# STEP SIX:

## PREPARING FOR PURCHASE

You have found a property! Congratulations!

Now you need to appoint a licensed conveyancer or solicitor to check over the contract for you, represent your interests and also can request inspections for you while also managing the exchange of contracts and other legal searches. Once you have found the property you want to purchase, you may need to get a property valuation to help you figure out the right price to offer.

Finally, you are ready to make an offer! Don't low-ball here less than 10% of the asking price, otherwise you may miss out when higher offers stream in. When you've decided on a figure, simply exchange contracts and pay the deposit. Both you and the seller are not legally bound to the sale until the contract of sale has been signed and swapped. Included in the contract of sale is the:



## STEP SIX:continued

- Names of parties
- Property address
- Purchase price
- Terms and conditions
- Special inclusions in the sale
- Date of settlement
- Nationality of buyers
- FIRB approval

If you've bought through private treaty you will have a cooling off period. This is not available when sale is made by auction. During this period you can cancel the sale if you change your mind, but you may be required to pay a penalty. The cooling off period varies by state.

In the time between exchange and settlement - generally six weeks - you should be busy arranging the balance of the selling price by finalising the finance and signing the mortgage. You will also want to insure your property, and you will be required to take out building insurance.

Once the balance of the purchase price and Stamp Duty is paid, the settlement of the property has been made and you will

## STEP SIX:continued

receive your keys and title deeds. Essentially, the lender will transfer your money to the seller and the property is ready for you to occupy or rent out!

**“It’s a new property.  
You don’t need an inspection.”**

That sounds like good advice. Who wants to pay for a home inspection?

Moreover, people — especially builder representatives — will tell you everything is covered under warranty.

True, everything is covered bumper to bumper in a new home purchase, but why would you want to purchase something, only to have to get things fixed when it could have been avoided?”

I strongly push for a home inspection to be performed by a third-party inspector that they hire — someone who works for the buyer and not the builder.



## STEP SIX:continued

If you are sure you want to go ahead with purchasing the property, get a qualified building inspector to make an assessment. They will look for structural defects, pest infestations, faulty wiring, plumbing and drain issues, asbestos, lead paint, and more.

### **Things to watch for:**

- Mould! Check for damp or mould spots on the ceilings, walls and skirting. Pay careful attention to areas with fresh paint touch ups.
- Sagging ceilings or buckling walls.
- Do the doors and windows fit right and open and close smoothly?
- Test the taps for flow and even temperatures, and flush the toilets.
- Check under carpets to see the condition of the floors.
- Take a look under all sinks to ensure plumbing looks good.
- Check the hot water system.
- Lights and fuse box.
- Roof, guttering and drains.
- Exterior walls - check for cracks.

# STEP SEVEN:

## RENTAL MANAGEMENT

After signing the contract and before final completion, it is time to decide if you want to rent the property out.

If so, you need to source, find and engage the services of a reliable rental agent.

Now you need to engage them represent you and look after your interests when renting out the property.

You will need to see how many empty properties they have, whether they have corporate or individual renters and have a dedicated property manager.

The agent will have to be able to screen tenants, check references and also have trades people ready for any repairs.



# STEP SEVEN: continued

The agent you choose should naturally have experience with overseas landlords.

They will collect the rental for you, pay the bills, and deposit the rent into your bank account.

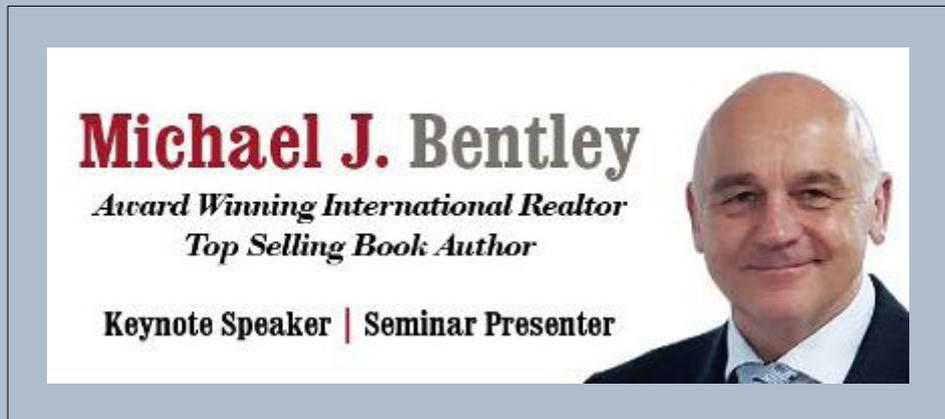
Once you have found a suitable agent, you will need to check their fees and charges, and negotiate these if required.

You should get them to agree to provide you with a yearly summary of all the income and expenditure, as this will make putting together your tax return at the end of the (financial) year much easier.

Your tax return for the Australian authorities is needed at 30 June each year.



# MIKE BENTLEY'S SERVICE FOR BUYERS CAN HELP YOU



I have done thousands of transactions like those described above, in all the states of Australia and WITH all types of property. In fact, with over a billion dollar's worth!

I will hold your hand all the way through. And take you through all the steps. And give YOU the benefit of my decades of practical experience.

My service in effect means we work together for 90 days hand in hand, to find you the best possible property.

I am Not an Expert in All Things, But Will Find the Best One for You.

**I AM NOT a not an inspector, buyer's agent, valuer, lawyer, appraiser, engineer, accountant or financial planner.**



I do not try to take on their tasks and responsibilities. ALL of which you MAY need during your property purchase.

But I AM an extremely hands-on, experienced property expert, with a billion dollar's worth and decades of experience behind me.

And I know how and where to locate the appropriate competent professional as needed. And how to secure their services for you at reasonable fees.

For more information visit:

[www.CitylifeProjects.net/buyers-service.php](http://www.CitylifeProjects.net/buyers-service.php)

Or I welcome your call on **9736 2218** to see if my services suit your requirements.



## **What about an OFF-THE-PLAN property?**

When you buy an apartment, you don't just buy a home. You also buy a share of the building itself and the land it's on.

Buyers unfamiliar with the intricacies of strata may not understand the gravity of that purchase, and what it can mean down the track if something goes wrong.

Buyers now need increased awareness about what they're buying and who built it to avoid facing hefty repair bills in years to come. Questions you will need to ask include:



## **Who is the developer?**

The developer is generally the owner of the land being developed, and may contract architects for design, builders for construction and consultants to oversee the project. Larger developers often handle the entire process in-house.

Look at the directors behind the companies, What's their experience? What's their CV like? What is the developer's process for quality control?

## **Will they fix defects?**

If there are any issues with defects or any issues with the building, how are they going to handle it and what's their approach for making sure everything is as smooth as possible?

There's always going to be minor items that come around with any new building that need to be rectified. The true test of the quality of a developer is the way in which they respond and deal with those items.

## What's their track record?

A developer's portfolio provides the best indication of how a new apartment will turn out.

## What's their reputation?

Well-regarded developers' names are often used in the marketing of established properties. If they reference that it's been built by a particular developer, it's a pretty good sign that developer has a good reputation.

Buyers seeking certainty should avoid first-time developers.

For more information visit  
[www.CitylifeProjects.net/buyers-service.php](http://www.CitylifeProjects.net/buyers-service.php)

Or I welcome your call on **9736 2218** to see if I can help you.



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