

The cost of buying your first home

CONSUMER COLUMN

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The Real Estate
Institute of
Queensland Ltd

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Queensland first-time buyers are making the most of the current low-interest rate environment, and the looming 30 June deadline to the First Home Owner Boost, and making a long-awaited return to the property market.

First home buyers now represent about 26.7 per cent of all homebuyers in Queensland – the highest percentage since January 2002.

According to the Real Estate Institute of Queensland (REIQ), the most important factor to consider when buying your first home is job security, followed by your ability to repay the loan – especially when interest rates inevitably rise.

And apart from the obvious price of the property, the buyer will also incur other associated costs.

So how much do you need to budget to buy your first home? The REIQ suggests the following when budgeting for the costs of buying real estate.

Borrowing costs:

It is a good idea to obtain pre-approval (or at least have an idea of how much the bank will lend you) for a loan before starting the search for your dream home.

When borrowing money from a financial institution, buyers are likely to encounter costs such as the loan establishment fee and mortgage insurance (if borrowing more than a nominated percentage of the property's value).

Buyers will also need to budget for ongoing fees and interest repayments on top of the loan amount borrowed.

Fees will vary between financial institutions and buyers should shop around for the loan that best suits their needs.

All financial institutions must publish a comparison rate for their loans which takes into account all fees and charges and any introductory loan rates.

Stamp Duty:

The Queensland Government introduced legislation in 2008 to ease the financial burden of stamp duty on first home buyers.

Under the legislation:

From 1 September 2008, first home buyers pay no stamp duty on a home valued up to \$500,000; and no stamp duty on a vacant block of land up to \$150,000.



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Your solicitor will obtain the appropriate rate of stamp duty to pay. The buyer pays the solicitor the amount payable who then arranges payment to the Government authority.

For more information about stamp duty, go the State Government's website at www.osr.qld.gov.au or phone 07 3227 8733 or 1300 301 342.

Valuation report

An independent valuation report on a property can be of assistance to the buyer to indicate a property's current market value.

In Queensland, contact the Australian Property Institute on Ph 3832 3139 for the names of licensed valuers.

Legal costs and searches

The REIQ strongly encourages buyers to seek independent legal advice before signing a Contract for Sale.

After a buyer has signed the appropriate forms and the Contract of Sale, they are advised to undertake certain searches - these include a Title search verifying the ownership of the property, a local government building report on the legality of existing structures on the property, and a local government search on the zoning of the property indicating any restrictions on the property and encumbrances on the property easements.

Solicitor's fees are negotiable - it is advisable to compare the fees being charged by a few different solicitors. Good referrals and past experience is valuable when choosing your legal representative.

It is possible for a buyer to undertake these activities on their own however the REIQ strongly recommends using qualified solicitors for conveyancing.

Contact the Queensland Law Society for further details about how to contact a qualified solicitor: www.qls.com.au

Building and pest inspection reports

Buyers can make their Contract of Sale conditional on the basis of a satisfactory building and pest inspection report from a licensed professional. See the Building Services Authority website www.bsa.qld.gov.au for more information.

The cost of these can vary but it is required under Queensland law that the inspector must be licensed by the Building Services Authority.

Termination of a Contract under the five-business day cooling-off provision

If a buyer terminates a Contract of Sale at any time during the stipulated five-business day cooling-off period, they will have to pay the seller 0.25% of the property price on the Contract.

If the buyer has elected to waive the cooling off period provision they will not incur any cost and consequently cannot terminate a Contract.

ENDS

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