

# Land Purchase Guide

Buyers Guide to buying &  
building a new home





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*All information in this guide is current as of January 2017.*

# A guide to your big purchase

*Buying a home is not only one of the largest purchases you're likely to make, it can also be one of the best single long-term investments, so it is important that you get it right.*

*That means considering a wide range of issues.*

*We have put together the following guide to help you along the way.*



## **Before you start**

You will need to do some basic financial analysis first, so that you know where you stand. There's no point in finding a "must-have" block of land and then discovering that you can't afford to buy it.

## **Mortgage basics 101**

You need to be 18 years and over to apply for a bank loan & have suitable income to meet the loan repayments. Most financial institutions offer home loans that will enable you to buy a house and land package with a variety of different home loan options available. Your mortgage repayments are determined by the amount you borrow, the term (generally 25–30 years) of your home loan, frequency of the repayment and the interest rate.

## **What lending options are available?**

Some banks are now focusing on providing mortgages online or over the phone. One of the advantages of seeking an online mortgage is that you have access to detailed information and application forms 24 hours a day, 7 days a week.

If you prefer face to face with someone, you can meet the bank's lender or organise for the lender to come to your home to discuss a bank loan.

You may even decide on a mortgage broker, they act as middle men between you and the lender. Their job is to find the best home loan for your needs. It's a good idea to ask friends, family or work colleagues for a recommendation when looking for a mortgage broker.

## **What do you earn, what are your expenses?**

The first step to applying for a mortgage is to do a budget; you will need to know where you stand financially. The bank will need to know how much you earn, what is the income of the other person you are buying with, do you have any other financial commitments such as car loans, personal loans, credit cards and your living expenses. Knowing these things will help the bank determine how much you can borrow.

## **Do you register your property as joint tenants or tenants in common?**

Joint tenants is the most common form of owning a home. Upon the passing of one joint tenant, title to the property will pass to the surviving joint owner by survivorship.

Tenants in common is a co-ownership, where two or more people own distinct interests (it may be equal or unequal) in the same piece of property. If one party dies, their share of the property can be left to beneficiaries other than their co-owners, as stated in their will.

## **Can you still get the First Home Owners Grant if buying a joint property?**

Yes, you will still be able to get the FHOG if all co-buyers are eligible to receive the first home buyers grant.



## Costs of getting a home loan

It is important to know all costs involved in applying for a home loan. Some of the costs you will incur are:

- Stamp duty
- Loan application fees
- Mortgage insurance

A note for people from overseas – if you are not a permanent resident of Australia and you would like to purchase real estate there are requirements that you may need to meet. Visit the Foreign Investment Review Board at [www.firb.gov.au](http://www.firb.gov.au) for more information.

## First home owners grant (FHOG)

The first home owners grant is a tax free grant from the State Government currently offering **\$20,000** from 1st July 2017 for first home buyers on newly constructed homes in regional Victoria. The grant is not currently available for existing homes.

Your bank or broker will be able to guide you through the application forms to apply if you meet the requirements. If you are buying your first home (house & land) with the intention of living in the property as your main residence for 12 months you may be eligible. If approved for the FHOG, the Office of State Revenue will notify you. Forward the approval letter to your conveyancer.

## Are you going to buy on your own or buy with a friend or partner?

The main benefit of buying a jointly owned property is it can help you to afford to enter the property market. There is an increasing trend for people to buy jointly owned property by pooling their resources with friends, partners or family.

## Stamp Duty in Victoria

When you buy land in Victoria you are liable to pay stamp duty.

If you are an eligible first home buyer the government currently offers a 50% reduction on stamp duty payable and will abolish stamp duty for eligible first home buyers as of 1st July, 2017.

For amounts and more information go to [www.sro.vic.gov.au](http://www.sro.vic.gov.au)

## Other related fees

Other related fees include mortgage registration fee and land transfer fees. For more information go to [www.delwp.vic.gov.au](http://www.delwp.vic.gov.au)

## Research your location

When you have decided which estate you would like to live in, make time to visit the estate & see what it has to offer. Check out proximity to schools, shops, supermarkets & other amenities. Drive around established parts of the development to get an idea of what the estate may look like once it is completed. Drop into our office or go online to download any further information required regarding the estate at [www.birchgrove.com.au](http://www.birchgrove.com.au)





## Soil test classification

When buying a block of land the following information will be useful.

**Table 4.1: Site classes by foundation material (from AS 2870)**

Site class foundation material and expected ground movement from moisture changes

- A** Most sand and rock sites with little or no ground movement.
- S** Slightly reactive clay sites with only slight ground movement.
- M** Moderately reactive clay or silt sites, which can experience moderate ground movement.
- H** Highly reactive clay sites, which can experience high ground movement.
- E** Extremely reactive sites, which can experience extreme ground movement.
- P** Sites which include soft soils, such as soft clay or silt or loose sands, landslip, mine subsidence, collapsing soils, soils subject to erosion, reactive sites subject to abnormal moisture conditions or sites which cannot be classified otherwise.

## A to P Filled sites

Where soils in Class M, H and E sites are subject to movement at depths greater than 3m (known as deep seated movement and typically occurring in dry climates), a further division of the Class is required, ie M-D, H-D and E-D respectively. The shape of the soil profile under the slab is affected, increasing the required stiffness in the footings.



## Bushfire Attack Level (BAL)

When considering the cost of constructing a house on your land. The BAL level needs to be taken into account

### **BAL – LOW**

There is insufficient risk to warrant specific construction requirements

### **BAL – 12.5**

Ember attack

### **BAL – 19**

Increasing levels of ember attack and burning debris ignited by windborne embers together with increasing beat flux between 12.5 and 19kwm<sup>2</sup>

### **BAL – 29**

Increasing levels of ember attack and burning debris ignited by windborne embers together with increasing heat flux between 19 and 29kwm<sup>2</sup>

### **BAL – 40**

Increasing levels of ember attack and burning debris ignited by windborne embers together with increasing heat flux with the increased likelihood of exposure to flames

### **BAL – FZ**

Direct exposure to flames from fire front in addition to heat flux and ember attack

The BAL takes into consideration a number of factors including the Fire Danger Index, the slope of the land, types of surrounding vegetation and its proximity to any building.

The Fire Danger Index is a measure of the associated fire weather and the probability of a bushfire starting. It also includes its rate of spread, intensity and difficulty of suppression according to various combinations of temperature, relative humidity, wind speed and estimate of fuel state, all of which is influenced by daily rainfall and the time elapsed since the last rainfall.

The Fire Danger Index for Victoria is 100, making it one of the highest in Australia. In the Alpine areas of the state it sits at 50. The Fire Danger Index for the Northern Territory and Queensland is only 40.



## Home design

Make sure that the design of the house you have chosen will comply with any covenants or building design guidelines placed on the land you are purchasing.

Once you have chosen a house and the estate you wish to build in you will need to sign contracts with the builder and land developer.

## Solicitors & Conveyancers

Now that you have chosen your land you will be asked by the vendor (land developer) for your full name, address and contact details for the sales particulars. This information will be passed onto our conveyancer to draw up the contract of sale (you will be required to pay a deposit to hold the land).

You will need to organise a solicitor or conveyancer to act on your behalf. Your conveyancer will organise signing of the contract of sale, stamp duty payment and any other payments or adjustments to be paid at settlement.

You must ensure that you complete any FHOG applications (if applicable) and let your conveyancer know; if you are going away, let your conveyancer know immediately to ensure you have signed all the correct contracts and documentation as this could cause delay in settlement and incur penalties.

## I'm moving – who do I contact?

Don't forget to inform people of your change of address. Here is a guideline of people you may need to let know you are moving.

- ◆ Phone provider
- ◆ Gas & Electricity providers (disconnected from current home to new home)
- ◆ Electoral roll
- ◆ VIC roads (drivers licence)
- ◆ Employer
- ◆ Superannuation fund
- ◆ Tax office
- ◆ Health fund
- ◆ Doctor
- ◆ Dentist
- ◆ Schools, university, etc
- ◆ Post office (organise a mail redirection for 3 months)

## Home & contents insurance

Your bank will require you to have home insurance in place in order for them to settle on your home loan.

*\*Note that your builder insures your house during construction until the date of handover to you.*

Home & contents insurance is cheaper if taken out together, make sure you read your policy thoroughly to ensure you are covered for the things you think are necessary. Don't risk under insuring your home & contents and make enquiries regarding consumer protection insurance & income protection insurance.



## Real Estate Terms

- **Vendor** – the person selling the property
- **Contract of sale** – written agreement outlining the terms and conditions of a property sale.
- **Conveyancing** – legal process of transferring ownership of a property from one person to another.
- **Contract Pending** – deposit has been taken and is held in a trust account, contracts have been ordered to be signed by you and the vendor
- **Settlement** – completion of a sale when the balance of the contract price is paid to the seller and the buyer becomes legally entitled to take possession of the property.
- **Stamp duty** – a state government tax paid on the purchase of properties. It is determined by the sale value and varies between states/territories.
- **Title deeds** – set of documents containing information on the present and past ownership of a property. Details names of owners and institutions that have registered a charge against the property.
- **Transfer** – a document that needs to be registered with the relevant land titles office so that the change in ownership is recorded on the certificate of title.
- **Deposit** – usually 10% of the purchase price of a property required to be paid to bind the sale. A lesser deposit maybe negotiated, particularly in relation to the purchase of vacant land.
- **Interest only loans** – repayment option in which, during a specified term, only the interest accrued on the home loan is paid, this normally converts to Principal and Interest repayments at the end of the interest only term.
- **Principal** – the actual amount of money that has been borrowed to buy a property.
- **Principal & interest repayments** – a repayment option in which both the amount borrowed and the interest accrued on that amount are repaid by instalments over an agreed term.
- **Redraw facility** – a facility that allows additional repayments made on a loan to be accessed or drawn on by the borrower at any time.
- **Variable rate** – an interest rate that may rise and fall in conjunction with variations in the market's interest rates.





## Handy tips

Be organised. Compile your documentation as soon as possible, talk to your bank or financial broker and secure a finance pre-approval letter first (pre-approval is usually valid for 60-90 days). Research a conveyancer so you will be ready to have contracts signed.

Consider wisely when purchasing your land. Consider the type of home you think you want before buying land (a big single storey house will require a particular size block of land compared to a narrow double storey which may not require a big block of land). Show a few builders the block you are looking at and the type of home you are thinking of building as they will be able to let you know whether the house design is suitable for the block.

Things you may need to consider are:

- Which side of the block the driveway is located?
- Which side of the block the living room windows will face?
- Where North is in regards to the block? (the sun rises in the east & sets in the west and in winter takes a northerly aspect)
- What the width of the home is compared to the width of the block?
- Whether you have any special requirements in terms of the space you will need at the front or rear of the block
- Whether you want a big back yard and enjoy gardening or your better off with a low maintenance block, but close to parks and walking tracks

It will help if you have a criteria in mind, such as; preferred location & block size, close to family & friends, employment & public transport. With your financial capacity understood and property criteria established you are equipped to undertake a thorough search to find the right block for you.

More than ever real estate is a long term investment with short term windfalls unlikely. Choose a block that meets your criteria and has sound long term investment potential.

The information provided in this guide is general in nature only. Before entering into any legal and binding contract for the purchase of a property, we strongly recommend that you seek and obtain professional advice from a solicitor or conveyancer.

**If you have any questions regarding the purchase of a block of land, please call us on 5442 6464 or drop into our office at 45 Edwards Road, Strathdale.**



## About us

Birchgrove Property has been developing residential living environments in Bendigo since 1973. It has undertaken a range of developments and in the process created catalyst estates which have helped shape the character of areas such as Strathdale and Strathfieldsaye as prominent Bendigo suburbs.

We are proud of the contribution that Birchgrove Property has made to Bendigo in over 35 years of development. We look forward to our ongoing commitment to the continued growth of Bendigo as one of the most vibrant regional cities in the State.

To the right you will find a list of estates developed by Birchgrove Property.



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Discover Marong, *Marong*

Canterbury Estate, *Jackass Flat*

Neangar Place, *Eaglehawk*

Rubicon Rise, *Jackass Flat*

Marong Links, *Marong*

Evergreen Links, *Jackass Flat*

Marong Estate, *Marong*

Willowbank Estate, *Strathfieldsaye*

North Harley, *Strathdale*

Arbor Place, *Epsom*

Ascot Park, *Ascot*

Marong Run, *Marong*

Byambee Rises, *Kangaroo Flat*

Harley Terrace, *Strathdale*

Lemongum Estate, *Strathfieldsaye*

Alkoomi Estate, *Epsom*

Napier Run, *White Hills*

Kiandra Way, *Strathdale*

Cresthaven Place, *Bendigo East*

Birch Grove, *Strathdale*

Strathmeadows, *Junortoun*

Harley Mews, *Strathdale*

Ellimata Estate, *Strathdale*

Bishops Estate, *Golden Square*

Timbarra Estate, *Golden Square*

Redwood Estate, *Strathfieldsaye*

Cheriton Estate, *Strathdale*