

House buyer's guide to **Australia**

Part 2



WORLDFIRST

Contents

Property prices **4**

Finding a property **6**

Buying through a real estate agent **7**

Buying at auction **9**

The cost of buying **10**

Getting your team together **12**

Money matters **14**

About this guide **16**



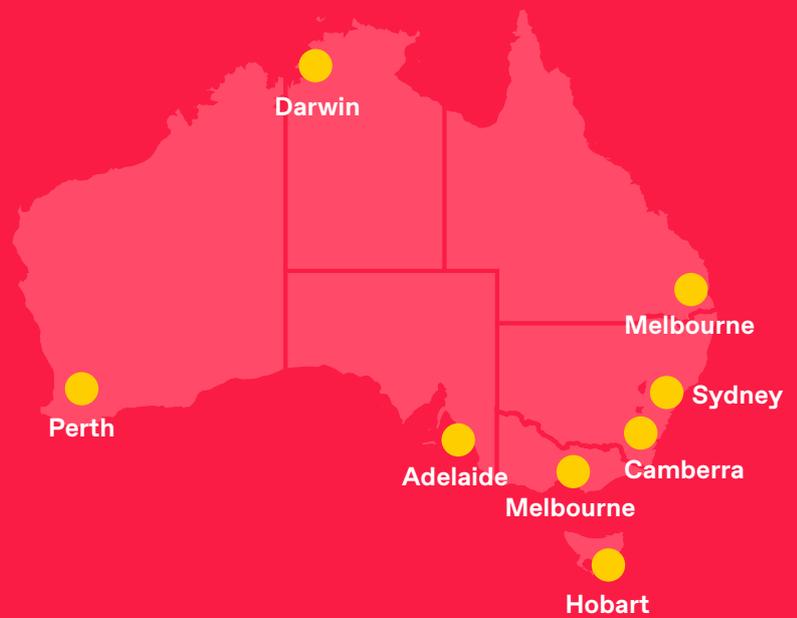
Property prices

Australia is vast but most of it is uninhabited and much uninhabitable.

Three patterns are very evident:

- **90%** of people live in **urban areas**
- About **80%** live in the **eastern states**
- Around **80%** live within 100 km (60 miles) of the **coast**

Wandering beyond these hotspots can make a huge difference to what your Australian dollar get you. Move more than 100km inland and house prices rapidly drop by as much as 50%.



Perth

Perhaps it lacks the glamour of Sydney, Brisbane or Melbourne in the popular imagination, but Perth suddenly enjoyed a boost to its status last year when Qantas introduced the first ever non-stop scheduled flight between Australia and the UK. The 9,000-mile journey takes around 17 hours. As technology evolves and aircraft fly further, Perth's unique status will evaporate and it will probably revert to boasting about being Australia's sunniest city (3,200 hours of sunshine a year). In the meantime, Perth's new-found status has helped bring a new stability to house prices with the market much less influenced by the ups and downs of the mining industry.

AUS \$ 470,000



Canberra

Perhaps the least romantic of all Australian destinations, Australia's capital nevertheless has significant attractions for the property investor. It's a wealthy city whose residents have the highest average incomes in the country. In 2019, Canberra became the most expensive Australian city in which to rent a house, a distinction which had hitherto belonged to Sydney for at least a decade.

AUS \$ 585,000



Melbourne

The Economist Intelligence Unit has named Australia's second largest city 'the world's most liveable city' every year since 2011. The ranking takes into account stability, healthcare, culture, environment, education and infrastructure. Melbourne has a great comedy festival and any city that can spawn both Dame Edna Everage and Kath & Kim must have something going for it.

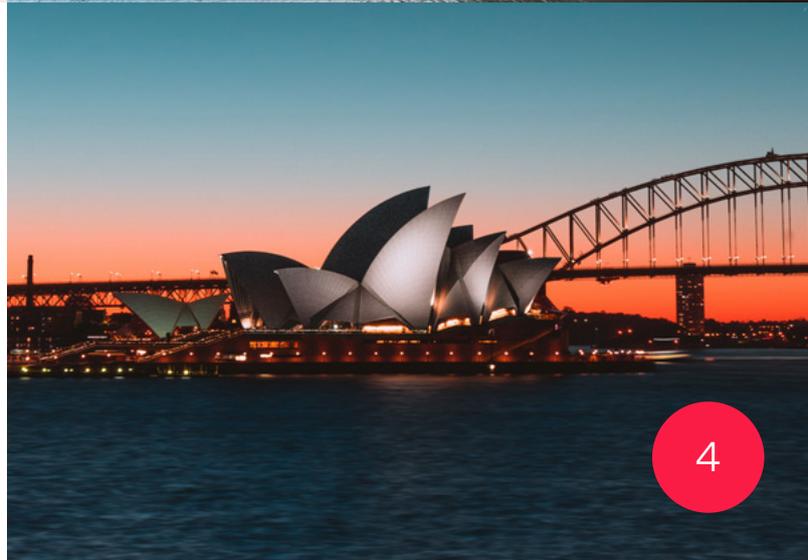
AUS \$ 653,000



Sydney

Canberra may technically be Australia's capital, but everyone knows that it's really Sydney. Over-crowded, competitive and expensive. And irresistible.

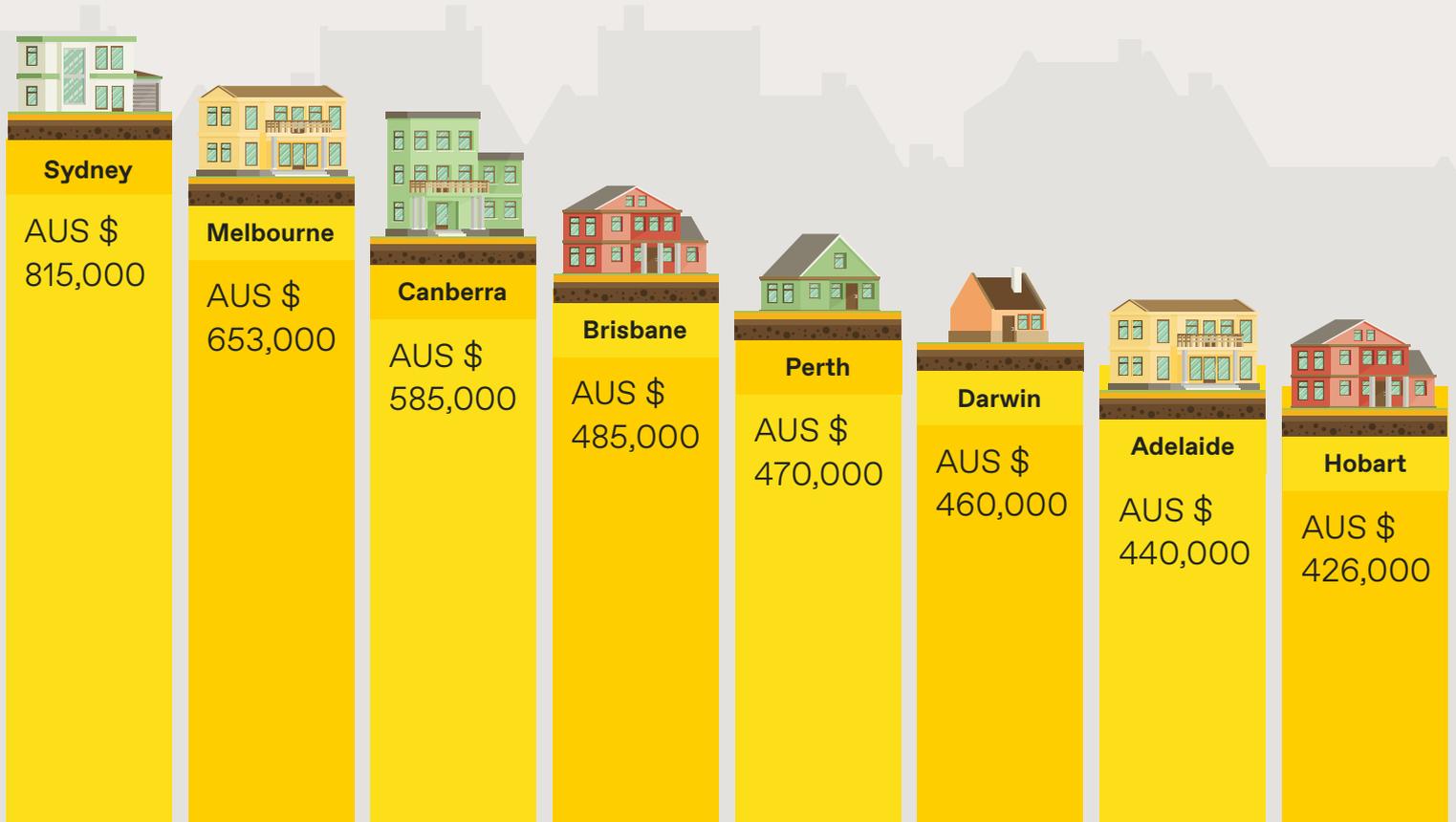
AUS \$ 815,000



Brisbane

If it's weather you're after, Queensland's capital is your best bet. There's no winter to speak of and you're less than an hour's drive from Australia's most popular ocean resort cities. As a plus, the cost of living in Brisbane is generally cheaper than in Sydney or Melbourne. Great for retiring to.

AUS \$ 485,000



Figures shown are median property prices at July 2018.
The median is the price that falls in the middle all the properties sold in that period.
Source: realestate.com.au

Finding a property

Property websites

You know how to Google, don't you? The internet is your friend and it's easy to browse property for sale throughout Australia's 3 million square miles. Try these for starters:

- [realestate.com.au](https://www.realestate.com.au) (this is the big one)
- [domain.com.au](https://www.domain.com.au) (this is the other big one)
- [realestateview.com.au](https://www.realestateview.com.au)
- [homesales.com.au](https://www.homesales.com.au)
- [firstnational.com.au/residential-search](https://www.firstnational.com.au/residential-search)
- [ljhooker.com.au](https://www.ljhooker.com.au)

Understanding Australian listings

House size is expressed in square meters but this can indicate the roof area rather than the footprint of the house. There's a big difference between the two in sunny places where roof overhangs are used to shelter windows from the sun.

Open inspections

Australia has a taste for 'open inspections' as part of the process of marketing a property. Usually held at weekends – and often without the vendor being present – these are an opportunity for the general public to poke around. A sales representative is on hand to answer questions.

Should you pay the asking price?

As a rule of thumb, a bit of negotiation can easily chip 10% of the asking price, so it's worth having a go.

Engage the services of a buyer's agent

A property doesn't have to be sold through an estate agent, but most are. The seller pays the commission. However, if you're not actually in Australia, it may be worth engaging the services of a buyer's agent to look for something on your behalf. You will benefit from someone with local knowledge and connections. They will have the knowledge and confidence to negotiate on price – potentially cancelling out their fee.

Make sure your buyer's agent is licensed and is in the state where you're buying. They should not be selling you properties they are handling (this would represent a conflict of interests).

Rent first

If you're moving to Australia, then rent before you buy. It's a chance not only to 'try on' the city but the suburbs too – they can have very different vibes. Spending a year renting will let you experience the seasons too – the most extreme heat, winds, and rainfall that come with the increasingly common 'extreme weather events' such as cyclones to heatwaves.

Buying through a real estate agent

Professional bodies

It goes without saying that you should always use a licensed real estate agent. The Real Estate Institute of Australia (REIA) is the national umbrella professional association for the sector. But each region has its own institute and all but one (Queensland) are members of the REIA:

New South Wales	REINSW	Real Estate Institute of New South Wales	reinsw.com.au
Victoria	REIV	Real Estate Institute of Victoria	reiv.com.au
Queensland	REIQ	Real Estate Institute of Queensland	reiq.com *
Western Australia	REIWA	Real Estate Institute of Western Australia	reiwa.com.au
South Australia	REISA	Real Estate Institute of South Australia	reisa.com.au
Tasmania	REIT	Real Estate Institute of Tasmania	reit.com.au
Northern Territory	REINT	Real Estate Institute of Northern Territory	reint.com.au
Australian Capital Territory	REIACT	Real Estate Institute of Australian Capital Territory	reiaact.com.au

* The Real Estate Institute of Queensland is not a member of the REIA. It withdrew in 2015 claiming that the membership fee was not providing its members value for money.

State/territory laws

If you're really interested, here are the main laws that apply locally:

Australian Capital Territory Agents Act 2003 (ACT)

New South Wales Property, Stock and Business Agents Act 2002 (NSW)

Queensland Property Agents and Motor Dealers Act 2000 (QLD)

Northern Territory Agents Licensing Act (NT)

Western Australia Real Estate and Business Agents Act 1978 (WA)

South Australia Land Agents Act 1994 (SA)

Victoria Estate Agents Act 1980 (VIC)

Tasmania Property Agents & Land Transactions Act 2005 (TAS)

Dealing with estate agents: three golden rules

1

As in the UK, **the agent acts on behalf of the seller** so don't expect any favours from them despite their duty to treat the buyer 'fairly'.

2

Sometimes estate agents try to impress their clients by sending as many people as possible to a property, regardless of its suitability. **Be specific and clear about your criteria** and resist being manoeuvred into viewing places that do not meet them.

3

Agents do list each other's properties. An agent gets 100% of the commission if you buy one of his/hers, but splits the fees 50/50 if the property is registered with another agent. So, it's in their interests to steer you towards one of their own properties even if they know of one that's a better fit on someone else's books.

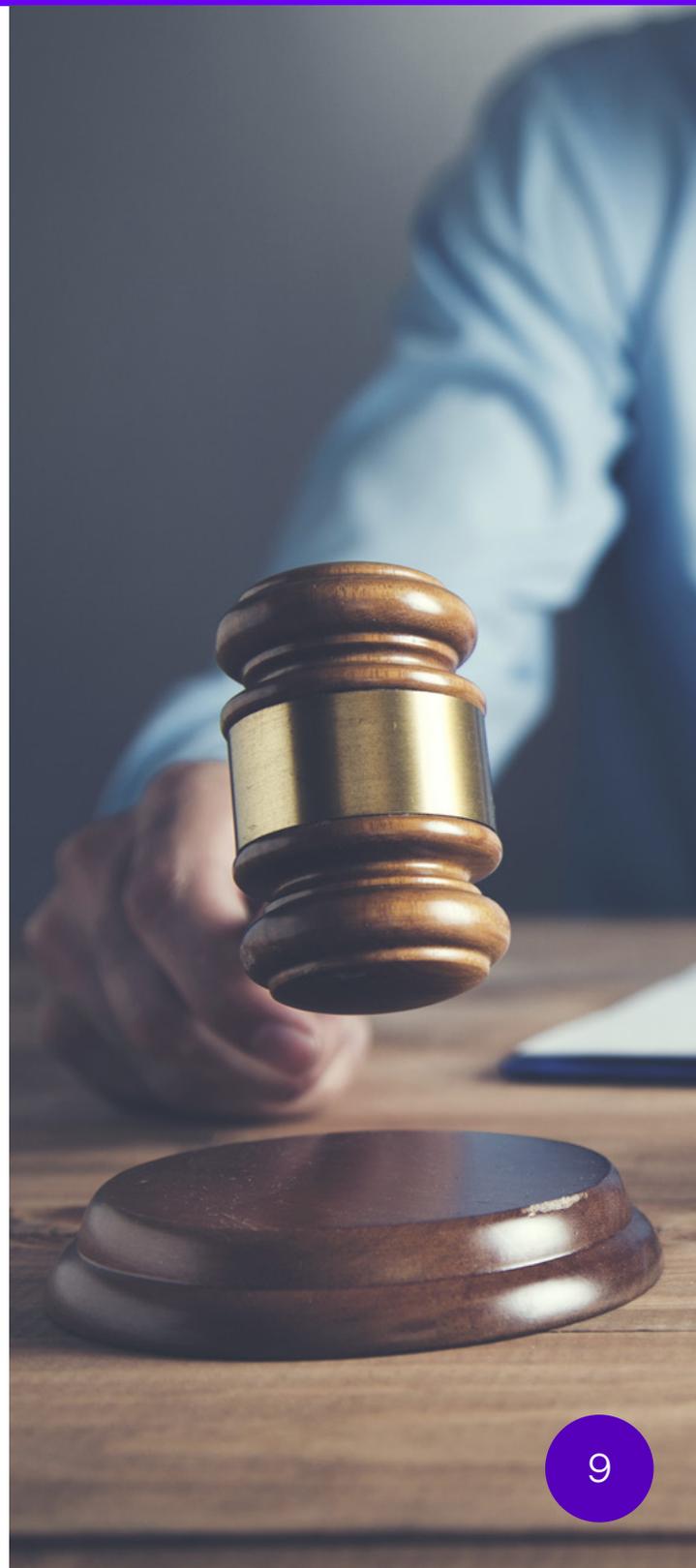


Buying at auction

Auctions are popular in Australia. If you've got the nerves and the flexibility, they can be a good way to buy. Although they had a bad reputation at one stage, regulations have been tightened to try and make the process fair and transparent.

Some auctions are held at the property itself which will be open for viewing for a short while before the auction starts.

- 1. Do your research.** Try to establish the approximate market value of the home in advance to make sure you don't over-bid on the day.
- 2. Register with the auction in advance.** This is mandatory in some states but not in others. Check what proof of identity you will need to supply.
- 3. Make sure you have access** to the necessary deposit as you'll need to pay it on the spot if you win.
4. If a property fails to attract the reserve bid, all is not lost – the highest bidder gets the opportunity to **enter into negotiations...**
5. Although the conveyancing laws in most states allows for a **'cooling off' period, this does not apply** to auctions.
6. If you fall in love with a property that's going to be auctioned, there's nothing to stop you **making an offer through the agent** – the vendor may well accept your offer and cancel the auction. However, the agent may also contact other people who have registered their interest to see if they are interested in offering a higher price than you.



The cost of buying

Aside from the cost of the property itself, how much is the process going to set you back? This will depend on many different factors but, as a broad rule of thumb, expect them to add up to between 5% and 7% of the purchase price. In more detail:

Stamp Duty

The amount of stamp duty (aka land transfer tax) can depend on several factors:

- Which state/territory the property is in
- The sale price – rates are banded
- Whether it will be your main home or an investment
- In some states, the rate of stamp duty is reduced (or scrapped) for first time buyers under certain conditions
- All states except the Northern Territory have introduced an additional stamp duty levy on purchases and investments by foreign citizens.

It's all very complicated but an internet search for 'Australian stamp duty calculator' will find you plenty of easy-to-use tools. Broadly, you can expect to pay something between 2% and 5%.

Conveyancing fees

For a straightforward sale:

- Conveyancing fees may be charged as a fixed fee or as a percentage of the sale price. Expect something in the range of \$600 to \$2,500 or between 1% and 2%.
- ... plus disbursements (search fees and the like) of between \$300 and \$600.

Note that in most states you have the option of using a conveyancer rather than a fully blown solicitor. Conveyancer fees are about half of those of a solicitor – say \$500-\$600. If you expect the purchase to be straightforward, a conveyancer may be all you need.

Mortgage costs

Mortgage application fee

For Australian citizens this is usually in the range of \$200-\$700 depending on the lender and the size of the loan. It may even be waived as part of a marketing promotion. Foreign citizens, however, may find themselves charged up to 4% of the loan amount. Check with your mortgage broker.

Valuation fees

In order to manage the risk, the mortgage provider will want an independent valuation of the property. This can cost anything between £0 (if the lender waives the fees) and \$500.

Lenders mortgage insurance

If you're borrowing more than 80% of the purchase price, then you'll be required to pay for lenders mortgage on the loan. This protects the lender should you fail to make your repayments. LMI rates vary from around 0.5% to 4.5% (plus state stamp duty).

Inspections and surveys

- A survey to verify that the property is structurally sound will cost between \$350 and \$700.
- A pest inspection is pretty much an essential in Australia – termites have the potential to destroy a house completely. An inspection will cost you around \$250.
- You can save money by finding a company qualified to do both.

Foreign property investor fees

As mentioned on page **XX**, if you're a foreign investor you will have to apply for permission via the Foreign Investment Review Board. The application fee is a minimum of \$5,600 and can be as much as \$11,300, depending on the value of the property.

Buyer's agent fees

If you've engaged an agent to find a property on your behalf, you will have to take these fees into account in your calculations.

Goods and Services Tax (GST)

New properties (and very occasionally other properties) are subject to the federal government's GST (Australia's VAT) at a rate of 10%. This should be included in the advertised price. Until recently it was the developer who paid the tax to the Australian Tax Office (ATO). Now, however, the buyer is required to withhold the tax from the settlement amount and pay it to the ATO. This does not affect your total outgoings.

Ongoing costs and the costs of living

Once you're a property owner you're clearly going to have to shell out for the same kinds of things as in the UK. For example:

- **Buildings insurance.** Note that you'll need this before you even complete your purchase. If you're taking on a mortgage, the lender will want to see it's own name on the policy before it releases the funds.
- **Council rates** typically cost between \$1,000 - \$3,000 per annum.
- **Water rates** are paid quarterly.



Getting your team together

You're going to need high quality support – and probably quite a lot of it:

- **Solicitor or Conveyancer:** Essential. See below for more detail
- **Mortgage Broker:** Find one specialising in finding mortgages for non-residents. They usually take their fees from the lender in the form of commission and so are 'free' from your point of view
- **Accountant:** Whether you're buying from abroad as an investment or going to be working/living in Australia, there will be tax implications.



Finding your conveyancing professional

Conveyancing does not require an encyclopaedic knowledge of the law. It's mostly just a series of tasks and checks. Australians are increasingly choosing to do their own conveyancing with the help of off-the-shelf kits. Some state government departments even put the necessary forms and documentation online for this specific purpose.

But in the grand scheme of things DIY conveyancing is unlikely to be worth the \$500 or so you're going to save. And a conveyancing professional will have the liability insurance to protect you should they fail to do their job properly. You, on the other hand...

So, find yourself a conveyancer or a solicitor. Some guidelines:

- The most important thing is that they are in the same state or territory as the property you're buying.
- A small, local solicitor will be cheaper than a large law firm.
- Your solicitor must not also be the vendor's solicitor.
- As always, a recommendation from someone who has actually used them is reassuring.
- Ask for a quotation covering all costs, outlays and disbursements to ensure there are no unpleasant surprises.
- Make sure they know your purchase will need to be approved by the FIRB.

Conveyancer or Solicitor?

If you're buying in Queensland or the Australian Capital Territory (ACT) aka Canberra, we have good news for you – here's one less decision for you to make. In these places conveyancing must be carried out by a solicitor. But elsewhere you have the option of using a conveyancer.

Licensed conveyancers are specialists in property transactions, conveyancing procedures, property law and contract law. The umbrella body is the Australian Institute of Conveyancers which has divisions in the states where it's possible to use one:

- [New South Wales Division](#)
- [Victorian Division](#)
- [South Australian Division](#)
- [Western Australian Division](#)
- [Northern Territory Division](#)
- [Tasmanian Division](#)

The benefits of using a conveyancer are (a) they are specialists and (b) their fees are about half those of a solicitor. But for complex or high value deals a solicitor may be more appropriate. If you are buying from the UK, then find a solicitor who is experienced in long-distance transactions.

When to instruct your solicitor / conveyancer

1. Preferably as early as possible and...
2. ... definitely before taking any formal steps in the purchasing process



Money matters

Opening a bank account

If you're going to Australia to live, you should be able to set up a bank account between three and 12 months ahead of moving. All four major banks allow you to open an account online. Expect the usual due diligence to establish that you are not in the money-laundering business etc. They may also demand to know your exact arrival and departure dates.

When it comes to transferring money from the UK to your new account, however, proceed with caution...

Moving money to Australia

When you need to transfer money from the UK to Australia (or vice versa) be aware that doing so through your bank is one of the most expensive options. Not only can the bank charge you a hefty fee, they might also use an unfavourable exchange rate. If you're moving small amounts of money, the fee will be disproportionately large. If you're moving the capital to buy a house, the rate will hit you hard.

By far the cheapest way to move money across borders is to use **a service such as WorldFirst's**.

Faster. Easier. Cheaper.

Transferring money to Australia with WorldFirst

We provide a faster, easier and cheaper alternative to high street banks. Our award-winning customer service team can have your Aussie dollars on their way in no time at all.

All it takes is three quick and easy steps:

1

Make an international transfer.

Tell us how much you want to send (over £1,000) and where. We'll quote you a rate and you can book the transfer.

2

Send us your money.

Pay World First by debit card or bank transfer.

3

We make your payment for you.

That's it. Put your feet up. WorldFirst will do the rest. We'll convert your funds and send the money to the account you requested, all at a great rate.

WorldFirst's transparent pricing: 0.50% or less*

We offer a cheaper service than the banks but how do we do it?

Simple – we typically make less profit on every transfer.

Most banks and FX providers don't tell you their pricing/margin – it's hidden in the exchange rate they use. At WorldFirst, we do things differently – we tell you exactly what our margin is.

Annual transfer amount (AUD)	\$0 - \$750K	\$750K - \$7.5m	\$7.5m+
Pricing / Margin	0.50%	0.25%	0.15%

Many banks and FX providers also charge you an additional fixed fee. WorldFirst will not charge you any fees for opening an account, cross-currency transactions, receiving funds, or account management. Fees may apply for same-currency transactions.

* Correct at time of publication. See worldfirst.com/au/ for current rates.



About this guide

We hope you found our guide useful. The information we've provided is for general guidance only. Before making any important decision, always take advice from a qualified lawyer, conveyancer, accountant, surveyor or other relevant professional.



**WORLD
FIRST**

— +44 20 7801 1050
— worldfirst.com

World First UK Limited is registered in England and Wales as a Limited Company: No 05022388 and is authorised by the Financial Conduct Authority, FRN:900508, under the Electronic Money Regulations 2011 for the issuing of electronic money. Registered office address: Millbank Tower, 21-24 Millbank, London SW1P 4QP.