



**Invest in Residential Real Estate With
The Skill Of A Professional ©**

Copyright – Gold Coast QLD July 2008

As professional licensed *Buyers Agents*, we have witnessed the results of numerous errors made by buyers. Indeed with our 40 years combined experience, we have seen just about everything. Unfortunately, these mistakes have cost purchasers many thousands of dollars, and have undoubtedly contributed to significant stress, ill health and family break-downs.

At our educational seminars we emphasise the importance of getting the buying decision right when investing in real estate. So much can **and does** go wrong at this stage. We find it interesting that about 98% of all sellers use Real Estate Agents or other property specialists when selling their home, while according to the Real Estate Buyers Agents Association (REBBA), less than 1% of purchasers use professional Agents when buying. The irony is that many more problems occur when purchasing (as apposed to selling) real estate.

Below is a guide to assist you in your real estate purchase. If you want to be one of the 99% of Australians who don't use professionals when buying real estate then please take note of the **Critical Steps** listed below. If, however, you find that (like many Australians) you just don't have the time to act on these **Critical Steps**, do yourself a favour and hire a professional . . . you will save thousands of dollars (from our experience, you will save much more than if you did it yourself) **AND** you'll significantly reduce stress levels.

Critical Step #1: Research

Research is the **most** important thing that you will do in the purchase process. You'll need to have access to property data, geographic and demographic information **and** statistical projections providing detailed information pertaining to the area in which you are looking to purchase.

More specifically, you'll need to access:

a) Property data: This is information identifying what has sold in the area and at what price **and** provides an indication as to the current value of the specific property you are considering buying. Note well: this is how valuers do it.

Organisations such as *Residex* and *RPData* provide (for a fee) this type of data.

b) Real estate area analysis: It is very important that you buy in the right area. There are a number of organisations that do Australia-wide analysis, clearly identifying where the growth areas are likely to be. The location of your purchase is vital. The old adage that the three most important things in real estate are *location, location, location*, is very true! There are a number of *Analysts* who will conduct this research for you (for a fee), including *Residex*, *PRD Research*, *Michael Matusik*, to name but a few.

c) Regional analysis: You need to know what is happening in the area that you are interested in buying into. It is vital to know what infrastructure is planned for the area, what are the population net forecasts and anything else that is going to affect growth. This can be obtained from your local Council Planning Department, Regional Reports or even the more specific Regional and Local

Government Plans. An example is the Queensland State Government Regional Plan.

d) Specific property data: This data is about the specific property you are looking to buy. The essential information you need to uncover includes:

- Size of the land
- Zoning of the land
- Council approval of any improvement
- The details of the last sale on the property
- Any restrictions on the land such as easements
- Any future developments such as a main road that are likely to affect the property's value

Some of this information can be obtained from the local Council, while other information will be revealed during the usual search process. Some information is available (for a fee) through organisations such as Residex and RP Data. Whichever way you choose to get the information, you must get it, as your future investment growth depends on it.

Critical Step #2: Carry Out All Necessary Inspections

Most people carry out what we refer to as 'skip-over' inspections: they skip-over on the way to the purchase. The average person buys a house after two or three 'skip-over' inspections. They make a decision to buy, choose an area, peruse the internet or real estate sections of the newspaper to find out what's available for sale, find a property, conduct two 'skip-over' inspections, then make an offer to the Real Estate Agent who passes it on to the vendor. Unfortunately, it is an all too familiar scenario and the result is often disastrous and the impact very long-term.

When we inspect a property, we investigate the following (and so should every purchaser):

- on arrival, check out the area to ensure the home conforms to the other homes in the area
- ensure the other homes add value to your intended purchase
- ensure the land is relatively level
- check that drainage is good and that surrounding homes are not higher than the home being considered for purchase – neighbouring homes with retaining walls generally concern us
- verify that any outside improvements (eg garden sheds, garages, carports, etc) add value
- verify the size of the house which might involve running a tape around it – it's best not to rely on an Agents 'opinion'. Also check if floor plans are available
- ensure any improvements are approved by Council
- investigate evidence of structural damage or faults
- check that the ridge of the roof is level

- investigate the condition of fascia-boards, gutters and downpipes
- check the condition of paintwork, carpets, tiles, plasterwork, in-built wardrobes, wet areas
- look for evidence of a leaking roof, i.e. stains on the ceiling and damp spots, mildew, etc – we use a moisture meter
- check that all the lights and power-points work. Verify the condition of electrical wiring - we use a simple testing product that is available from some electrical stores
- check floor levels level is the floor - we use a small sphere and roll it at crucial areas such as bench tops and tiled floors to get levels
- verify the tiles are solid and not lifting - a rubber mallet will tell you this
- look for evidence of white-ant activity
- verify all fixtures (such as the air-conditioner, exhaust fans, ceiling fans, etc) are operating
- confirm exactly what's included as fixtures, eg curtains, rugs, light-fittings, TV aerial, garden shed, outside doll's house.

Your inspections must be supplemented with professional building and pest inspections.

Critical Step #3: Know the Industry

Knowing the real estate industry is a real plus for any purchaser. We've found that most Australian purchasers have a 'dinner-table' knowledge of real estate and little more. Yet for most, the real estate purchase is the most important financial decision of their lives.

You should get to know the terminology of the industry so that you will know what Agents are talking about when they refer to certain matters about the property. Your solicitor will also normally talk to you in a language that is specific to the industry. Make sure you know what he/she is saying.

There are certain things that are essential to know:

- Terminology: real estate like most other industries has a language of its own. Get to know the terms if you intend becoming a serious purchaser
- Conveyancing process: know what has to be done to ensure a smooth process. You must know all steps, what sequence they are in **and** the time-frames – your solicitor/conveyancer will help with this
- Be aware of total costs associated with the purchase. Remember there are additional costs such as legals, stamp duties and inspections which are on top of the actual purchase price. Don't let these be an unpleasant surprise for you

Critical Step #4: The Negotiation Process – Be Prepared

Most purchasers are not prepared for the negotiation process and that is understandable. In most cases there is an industry professional (the Real Estate Agent) negotiating with an industry amateur (the purchaser). And, in most cases

the professional will win the 'negotiation game' which usually means the purchaser makes some fundamental and very costly errors.

Real estate agents are professionals doing (in most cases) a good job. They can be charming, charismatic, knowledgeable and very likeable. In many cases, the purchaser builds a rapport with the agent and grows to trust them, feeling that the agent will do the right thing by them. This is where the purchaser usually loses out: as required by law, the agent is working for the vendor **and** always remember, the vendor is the one paying the agent's commission.

Critical Step #5: Be Prepared to Walk Away

When you go to the 'negotiation table' you must go with an attitude that you are prepared to walk away if you don't achieve the outcome you desire. You must remove the emotion because a decision based on emotion usually means you lose in terms of the conditions of sale (including price).

As Buyers Agents we have no emotional attachment to the property so if we don't get what we want, we are prepared to (and do) walk away.

Our philosophy is that ***'the deal of a lifetime comes along once a week'*** and when we don't achieve the absolute best possible deal for our client, we walk.

It is not unusual for Agents to come back to us and accept an offer we made days earlier (the vendor has realised that we were serious when we said that this was our final offer). Sometimes we proceed while other times we have already found another property.

Critical Step #6: Don't Buy With Your Heart

Too many bad decisions have been made because a purchaser falls in love with the property or some particular aspect of the property. This is a difficult one to deal with and is probably the cause of more poor purchase decisions than any other single factor. The property may be located near family or friends, it could be the kitchen **or** the games area **or** the colour scheme **or** the fabulous little shed out back. For some illogical reason, someone decides that this is the property for them.

When this occurs there is a danger that other **Critical Steps** will not be carried out diligently: the research won't be done, inspections will be carried out with blinkers on or the negotiation process becomes far too easy for the agent. The big danger is that you pay far too much for the property, you buy in the wrong area or the property has significant problems that should have been sorted out earlier.

Conclusion:

We understand the pressures of modern day life. As a typical Australian you are no doubt working long hours, committed to your children's up-bringing and have a million and one things to do every time you get a spare moment. When you consider the **Critical Steps** involved when purchasing real estate, you more than likely wonder where you're going to get time to do it all.

Our point is this: as professional Buyers Agents we believe that following all the steps described above is a 'MUST' with every purchase. You have to **make the time**. If, like most Australians, your real estate purchases are going to be the biggest financial decision of your lives, then it makes sense to get it right.

If however, you can't see yourself spending the necessary time on these matters, then we recommend you use professionals to do it for you. Financially, although there is a service fee involved, you will achieve far better outcomes. You will save money and time in the long run and we think this is important for the biggest financial investment of your life.