

Signing the Sale & Purchase agreement

CHECKLIST

Once you've found a property that fits your investment criteria, the next step is signing the Sale & Purchase agreement.

The process:

1. To begin with, we'll put a 24hr hold on the property. This will give us time to review the Sale & Purchase agreement and ensure it contains a comprehensive 'due diligence' clause that will allow you to get out of the agreement for any reason during the due diligence period.
2. When we're happy that you'll be able to get out of the agreement if needed, you need to sign the agreement.
You'll sign the agreement using your name 'and/or nominee' so that we can assign another entity to own the property down the track, if required.
You sign the Sale & Purchase agreement to take the property off the market before undertaking your due diligence or incurring any expenses.
3. Once you've signed the Sale & Purchase agreement, you'll have 10-15 working days to satisfy yourself and your coach that the property fits your criteria and get conditional approval from the bank that they will finance the purchase of the property.
4. This is also the time to get your lawyer involved. They'll be the person who 'conveys' the property for you. Ideally, you'll work with a lawyer experienced with conveyancing new build properties as it is a little different process from buying an existing home. If you don't have a suitable lawyer, we can pass on the details of those we've worked with in the past.

What is a Sale & Purchase agreement

The Sale & Purchase agreement is a binding contract between you and the vendor outlining all the details, terms and conditions related to the purchase of that property. It outlines the sale price, the deposit required, and what's included with the property, amongst many other details.

Doing your due diligence

Once you've signed the agreement, you get 10-15 working days to check the property out, make sure it meets your requirements, make any changes to the agreement, and check that you'll be able to get the financing for the mortgage.

This will include:

- Getting written conditional approval from your bank or mortgage provider of the loan you'll need for the property. This can take a bit of time, so you'll want to make this one of the first things you get started on. This will be done with the help of Squirrel Mortgages or an alternative broker.
- Confirm how you will finance the deposit and whether you will require the bank to advance the deposit to secure the property.
- Have your solicitor review the agreement and negotiate any clauses with the vendor if required. You may be able to negotiate some clauses directly with the vendor to save on time and costs.
- Check the bylaws of the resident's association or body corp if the property has one. It could impact things like whether your tenants can have pets. It will also have an annual cost that will need to be factored into your financial plan.
- Check the sunset clause. These are a great way to protect your interests and give you the ability to get out if the build takes too long. But you don't want these to be so short that there's no wiggle room for delays, or so long that you're waiting years before the property is finally completed – or you can pull out. 12 months is generally about right but will also depend on what stage the development is at.
- Visit the site, a show home, and the neighbourhood, if you haven't already, to check the quality of work and whether it's an attractive area for renters. Or ask someone to go on your behalf if you can't. Alternatively you can review other work completed by the developer.
- Confirm the weekly top-up amount, the impact on your personal finances/mortgage projection, and your buffer requirements.
- Discuss the ownership entity - although this won't be formed until closer to settlement as could trigger a bright-line reset.
- Understand the start & completion dates as this will impact finance requirements.



Going unconditional

You have:

- ✓ Signed the Sale & Purchase agreement
- ✓ Completed due diligence
- ✓ Are happy to commit to the property

This is the point at which you go 'unconditional' and pay the deposit to secure the property.

HOW MUCH WILL THE DEPOSIT BE?

This is generally 10% of the total purchase price of the property and will be listed in the Sale & Purchase agreement.

HOW IS THIS PAID?

If you have the cash in the bank, you will pay this into your solicitor's trust account, who will pay this into the vendor's solicitor's trust account. It will stay there until settlement.

If you've purchased a land and build, this will be split a little differently. A portion will be paid as above, but another portion will be paid directly to the builder to cover the preliminary costs associated with the build.

WHEN DOES IT NEED TO BE PAID?

Generally, this will be due to be paid to your solicitor within 3 days of 'going unconditional' so this gives you a couple of extra days to complete that transaction.



What will happen next?

IF YOU HAVE PURCHASED A TURNKEY PROPERTY:

In this case, there will be a period of waiting while the build of the property is completed. You will get regular updates about how the build is progressing, and whether there are any changes to the completion date which could impact settlement.

IF YOU HAVE PURCHASED A LAND AND BUILD PROPERTY:

In this case, you will settle on the land within a few months of going unconditional and you'll be required to pay the full amount required to settle on the land. If you've borrowed from the bank to cover this portion of the purchase, you'll start making mortgage repayments on this amount.

You'll also start making regular progress payments (about 6 or 7) to the builder to pay for the work done in building of the house.

The payment schedule will be included in the Sale & Purchase agreement and is either based on build milestones (like laying the foundations, the roof going on) or at regular time-based intervals.

Regardless of whether you purchased a turnkey or land and build your coach will be there every step of the way to advise you of what you'll need to do next.

