

The costs of selling a property

Thousands of properties are sold around Australia each month; however, many people are not quite aware of exactly what all the costs might be to sell a property or even how they can potentially minimize these costs.

What are the legal fees?

Most people enlist the help of a solicitor or conveyancer when selling their property as the legalities within property law is comprehensive. A conveyancer or solicitor will make sure all of the legal formalities are undertaken correctly and that the Contract of Sale is in your best interest. A typical conveyancing cost can be anywhere between **\$800-\$2,000** depending on the nature of the sale and the state in which the house is located. These estimated fees cover such costs as:

- **Title search:** \$20 to \$100
- **Transfer of Certificate of Title:** \$300
- **Local council building certificate:** \$53 to \$133

EZ Finance and our brokers have a good network of different conveyancers & Solicitors around Australia who we could recommend if required.

Do I really need a solicitor or Conveyancer?

It's totally legal to sell your home without the help from a qualified conveyancer/solicitor; however, you open yourself up to making mistakes in the settlement process. These mistakes can cost you thousands of dollars.

DIY conveyancing kits are available online at a cost of around \$100 but it can be difficult to find a reputable provider. On top of that, you still have to pay the government costs when transferring the property title.

Do you need to sell through a real estate agent?

Using a real estate agent is common practice in Australia; however, finding the right agent to sell YOUR property is not so easy. A local agent may be suitable or you might need to source an agent from a different area with different contacts and abilities. Most agents will also try to get you to sign an exclusive agency agreement for at least 3 months, which will bind you to only them for the specified time period. This type of agreement is the most common and has good and bad points.

Alternatively, you can instruct an agent to operate under a "General" agency agreement. This means that you can have 2 or 3 different agents trying to sell your home at the same time. Most Agents don't like this type of agreement, as they can do some work on your property only for another agent to get the sale. Also, many agents who take on a general agency may not work as hard or give your property the required marketing needed in fear of losing the sale to another agent during the agreement timeframe.

As a general rule, get three (3) agents in to appraise your home and pick the agent you feel has the best chance of achieving the desired results.

Although it's not a perfect predictor, you're best checking property market research websites like RP Data and Australian Property Monitors (APM) EZ Finance also have some of these tools for market



appraising which we can discuss with you. (Bearing in mind that we are not Real Estate agents – we can give you some information or point you in the right direction)

Lastly, there are “Do it yourself” opportunities now available to the consumer. If you are confident enough to let people into your home for inspections yourself, this represents a very economical way to sell your property. We recommend one of the leaders in this field who have helped many of our customers, nationally (**No Agent Property**) and by selling your home privately, you will be saving thousands of dollars. Have a look to compare - www.noagentproperty.com.au

How much will a real estate agent charge?

The average commission rate for a real estate agent is 2-3% of the selling price. So if your home is sold for \$550,000, you may have to pay up to \$16,500 in agent commissions. There may also be a marketing fee of around 1% of the selling price to cover the costs of signage, newspaper advertising, internet advertising, flyer printing and auction marketing. So, on that same property, you may have to chip in another \$5,500. That's over \$20,000 in commission and marketing costs!

The costs of repaying your mortgage

The government banned exit fees payable by the consumer on all variable rate mortgages in 2011, but break costs still apply on fixed loans. If you are on a fixed loan facility, you can call your bank/lender to get a “payout” figure which will include the “Break Costs” to get out of the fixed contract. (Break costs could be a considerable amount of \$\$ so you will need to contact your bank or lender to find out the exact figure)

Also, if you are paying off your mortgage within the first two (2) years of getting it, many banks & Lenders will “Claw-Back” a portion of the broker's commission, (if your loan was organized through a Broker) which may be passed onto the consumer. If a broker organized your loan for you, contact them prior to paying out the home loan (if within two (2) years of commencement) to look at ways of avoiding this fee.

Capital Gains Tax

Capital Gains Tax (CGT) is only applicable when selling a rental property.

It doesn't apply if you're selling your principal place of residence. You will need to get “up to date” advice from an accountant as to the current rulings on CGT as the taxation rules change constantly depending upon the Governments in office at the time and other market changes.

With the help of an accountant, you may be able to reduce your level of capital gains by claiming other depreciation costs and money spent on repairs over the years.

Getting your property ready for the market

Before selling your property, you may want to give it a quick “once-over” with a paint brush and some minor repairs. How much you spend is totally up to you but, remember, spending a lot may not necessarily see you get a return on your investment. Sometimes, it might pay to get a Real Estate Agent in to give you some advice on how to get your house ready and what you might be able to spend to get the maximum price for the house. Normally, a good agent will give you this advice for free.

Depending on the nature of the property, some basic minor preparations may be enough to make it look enticing to buyers. Everyone's needs and expectations are different, so the reason you are selling the property will mostly determine what you need to do to the property to get it ready for sale.

A tip for investors

If you have a tenant living in the property at the time of selling your home, this might cause you some problems. There are laws in different states which say that the tenant may have the right to only make the property available for viewings every two (2) weeks and with the appropriate written notice. Also, you don't know how the property will be presented to the potential buyers!

Having an active lease agreement in place can also put off a lot of first-time buyers because they want to be able to move into the property right away. All tenants have the right to stay in a property for the term of the lease and the appropriate paperwork needs to be sent to the tenant to vacate the property prior to the end of the lease. The tenant however, might be "enticed" to leave if you can come with a mutually beneficial agreement for them to vacate early.

Don't forget,- If the property is vacant prior to putting the house on the market, you will miss out on rental income and you are also still responsible to pay your mortgage and bills.

Council rates and body corporate fees

Council Rates are payable at regular intervals during the year and depending upon when your house is sold will determine how much you will need to contribute towards the council rates at settlement of the property. If you're selling a unit or apartment in a strata building, then you'll also need to pay a portion of the body corporate fees.

These rates form part of the settlement costs so it's important to check with your conveyancer or solicitor to find out how much you're liable to pay.

Are your Finance's in place?

One of the first things you need to do BEFORE you sell your property, is to investigate your chances of getting finance for your next home. If you sell your home and "*presume*" that your finances are ok, you might be in for a shock!

If you were in arrears in your current mortgage at any time over the last few years, your current bank has a long memory and may not take the risk on giving you another loan. Or, you might have scored some bad credit from a mobile phone company or from late payment of council rates? This will definitely prevent you from getting finance from many banks. Just because you might have been with a bank for 20 years also does not guarantee your next loan. Things have changed in the finance arena.

We highly recommend that you look into getting a "Pre-Approval" through EZ Finance to ensure you are in a good financial position to move forward. Our mortgage brokers can easily check your credit file and give advice on your future financial direction. A Pre-Approval may also help you to negotiate a good deal on your new property as all your finances are in place and the good news is, - it's FREE to get a Pre-Approval through EZ Finance!

Contact EZ Finance now on 1300 727 909 or go online to complete an enquiry form at www.ezfinance.com.au

Disclaimer: The comments on this form are a guide and for general advice only and should not be relied upon as specific advice for your current financial situation. Please speak with a professional Credit Advisor, Accountant or Financial Planner to ensure you get the right advice specific to your personal circumstances. EZ Finance holds a National Credit Licence (392611) and our credit advisors are members of MFAA / FBAA and CIO.