



Researching the market before you buy

Buying property is a big investment. The right groundwork is essential for ensuring success.

Once you've set your budget and chosen your ideal property, it is important to research the market in the area in which it is located. Knowing the market you are investing in and doing the groundwork will give you confidence when it comes time to purchase.

When you are considering an area, look at amenities like public transport, educational facilities and shopping centres. Geographical factors should also be considered such as distance to the CBD. And, any infrastructure that will affect noise levels or the aspect of the property, like substations or large electricity towers will also be important.

Look at recent comparison sales in the area, method of sale (auctions can drive prices up as bidders may get carried away) and consideration of the time of the year. For example, spring is traditionally a popular time to buy property so you may find sale prices are slightly higher.

Websites that will help with research include [realestate.com.au](https://www.realestate.com.au) and [domain.com.au](https://www.domain.com.au).

You could also build a relationship with local real estate agents in the area so they can let you know of properties that are coming up before they are advertised.

If finding the right property is proving difficult you might consider using a buyer's agent who can do all the house hunting for you, will work to your budget and negotiate on your behalf. Unlike a real estate agent who works for the vendor, a buyer's agent works solely for the buyer.

Choose the right home loan and get pre-approval

While searching for your home or investment property, it's a good idea to get pre-approval for your loan from your lender or a mortgage broker. You will need to provide information including income and expenses, assets and liabilities, and some personal details.

Usually, pre-approvals will be valid for 90 days, however this can vary from lender to lender. As with any financial decision, it's wise to shop around for the best deal.

An important consideration when deciding how much to borrow is the size of your deposit. Generally, most banks and financial institutions require you to have a 20 per cent deposit. This means that on a property worth \$700,000 you will need to have saved at least \$140,000 - plus enough to cover stamp duty and any legal and moving costs.

There are other options available if you don't have a 20 per cent deposit. Lenders mortgage insurance (LMI) is one way of getting into home ownership with a deposit as low as five per cent. Rather than having to save a \$140,000 deposit on a \$700,000 property, you may be able to purchase with a deposit of \$35,000.

This means you can get into your own home sooner, begin paying off your loan and potentially start building equity. LMI has a one-off premium which the lender will pass on to you to pay. The premium can usually be added to your loan with your repayments adjusted accordingly.

Be realistic

When speaking with a bank or a broker, it's important to set your own borrowing limit and be realistic in what you can afford to repay each month. Consider carefully whether to go for the maximum you are offered - you need to be the judge of this. It is also important not to base your calculations on current historically low interest rates.

Do your figures by factoring in an interest rate of 7-8 per cent and assess whether the repayments at these rates are still comfortable given rates are likely to rise over the term of a standard home loan (25-30 years).

For more information

The LMI Toolkit on the Genworth website contains tools and resources that will assist you to better understand LMI and the mortgage market. Among these resources are It's My Home, our free home buyer magazine, fact sheets and videos that further explain LMI, the process of buying a home, and information on what you should do if you find yourself in financial hardship.

genworth.com.au/lmitoolkit

genworth.com.au/itsmyhome

Disclaimer: information contained in this fact sheet is intended to be a general information source regarding the matters covered, does not constitute legal, accounting, tax or other financial advice, and is not tailored to a borrower's specific circumstances. Borrowers should consider their own personal circumstances and seek advice from their professional advisers before making any decisions that may impact their financial position.

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