

1. What are the advantages of buying land and building?

Buying land and building can have huge benefits. For a start, you get to live in a home that's purpose built to your needs, in an area you love. You also get to enjoy the lovely, brand newness of your home without 'wear and tear' from previous dwellers.

Buying in a subdivision such as Rapids Landing offers other benefits such as:

- Buying in a New Release allows a wide selection of blocks to choose from
- There are incentives paid for by the Developer such as boundary fencing and front landscaping (and rainwater tank assistance at Rapids) adding to over \$10,000 extras
- The public open spaces and streetscapes are planned and, at Rapids Landing, are also maintained

Buying land and building also brings financial advantages:

1. When you choose the right area and land, the value of your home is more likely to grow better over time
2. You can usually buy a block and build for less than buying an established home, especially when factoring in the age and other negative features of an established house
3. If you are building an investment property, the depreciation allowances will be greater than on an established residence
4. You may be eligible for more government grants than when you buy an existing home
5. The amounts you borrow are initially less because they are staged by completion. The most common stages of completion are land purchase, pad (floor), roof, lockup and final completion. At each stage you draw down the amount needed from your loan, rather than one big amount when you buy an existing home.



2. How do I choose the right block of land?

Check the area has what you need

Living in an area you love is one of the huge benefits of buying land and then building.

Consider the following to ensure you make the best purchase decision:

- Facilities – what services will you need now and in the future? How far away are services such as child care, schools, medical services and shopping?
- Building Guidelines - what type of constructions are allowed in the area?
- Block Dimensions – what size block are you looking for? For example, larger blocks give greater separation from neighbours and more room to add extras like ancillary dwellings, sheds and gardens. The size and shape of the block will also influence the house design (see below).
- Services – does the block have water, power, telecoms (fibre to the node or fibre to the premises?), reticulated gas?

Understand the lay of the land

Apart from the size of the block, it's important to consider the terrain and aspect of the block:

- Slope – building can be more complex and expensive on a sloping block, although sloping terrain is beneficial because it adds quality to the streetscapes and allows better outlooks from the properties. Your builder also needs to consider drainage aspects – slope allows for water to flow across the land, so you need to check where it may settle and how to deal with it.
- Soils – what's the land made up of?
NB. Soil assessment and site levels are required for the builder to estimate site works' requirements and costs for the build you choose. They should be able to give you an estimate from their knowledge and experience in the area. Only pay up front for this if you're pretty sure it's the builder you want to go with. Otherwise, they should be able to give you a fair estimate without you having to pay for it. Or they absorb this cost up front hoping you'll proceed with them.
- Orientation – consider how will your home sit on the block and allow sunlight and breeze into the home:
 - Northern sunlight is important to allow warmth into the home during winter
 - Breezes from the SW are important to flow through the home to allow cooling in summer

3. Do I have to pay stamp duty?

Stamp duty is payable on the land's purchase price. So, your builder starts construction when settlement has taken place and the land is in your name.

Those buyers eligible for the First Home Owner Grant (see below) are exempt from paying Stamp Duty.

4. Am I eligible for the First Home Owner Grant?

Typically, most state governments tend to subsidise those buyers buying a new home over an established one. In WA there is a \$10,000 First Home Owner Grant for new homes available.

For more information about eligibility and requirements for the First Home Owners Grant visit finance.wa.gov.au or click here for a Fact Sheet: http://www.finance.wa.gov.au/cms/uploadedFiles/_State_Revenue/FHOG/FHOG_Fact_Sheet.pdf

5. What are the key considerations for gaining Finance?

How long does it take to get finance?

It varies from lender to lender and how busy they are at any given time. However, as guide 3-5 weeks would be expected. For example, Keystart – (not including the building contract timeframe) - require a lot more information than other lenders so they are about 4-5 weeks. NB. This is the time post building contracts.

What are the things that will affect a loan application?

Personal Loans, credit cards etc. Poor conduct with dishonors and or simply overdrawing your account, tax debt. Even if you have paid your credit card off and the balance is at 0 they will still use the limit in calculations, so sometimes it's best to close the credit cards.

The general rule of thumb - You cannot get a loan if you owe money to the ATO.

When they take into account your liabilities, it includes all of these, including the proposed mortgage. Serviceability and conduct are critical.

How much deposit do lenders expect?

The major lenders expect 5% to be saved as genuine savings over a 90-day period; this excludes proceeds from sale of a property. Or 5% held in an account for over 90 days. Keystart, however only require 1% genuine savings.

So, do you only need 5% deposit to get a loan with most major lenders?

Yes, but there are other costs that need to be calculated. Settlement agent & Land Transfer costs of about \$2000 + Stamp duty of approx. \$5000 + Lenders Mortgage Insurance of approx. \$10,000 on a \$400,000 loan. So, in affect you would need somewhere around \$37,000 to build. If you were a FHO and entitled to the \$10,000 grant it would be \$24,000 proceeds required for a major lender.

With the same loan at Keystart the amount needed would be, for a FHO entitled to the grant of \$10,000, approx. \$4000 for a home loan which includes all costs. NB. The interest rate with Keystart is slightly higher at 5.16%, so they cover the costs and risk. Other lenders are around 4%

If not a FHO, then approx. \$15,000 including all costs. However, genuine saving over 90 days is only \$4,000, so you could get the balance from elsewhere.



SUMMARY OF PROCESS TO BUY LAND AND BUILD

1. Where do I want to live?

See your land agents to get information on blocks available and services on offer

2. What can I afford?

See your broker to determine your borrowing capacity and prior requirements

3. Who should I build with?

- Ask around – who are people recommending?
- Visit a couple of different builders and look at their designs and speak about what they can offer you. Can they show you examples of their builds in town?
- Try to get a build estimate – NB. As mentioned above, a site assessment/feasibility may need to be undertaken and, if pre-building contract, you may need to pay around \$3,000 for this. But many local builders are willing to provide a fair estimate based on siteworks' costs conducted on previous builds in the same sub-division.

4. Purchase a block

- Meet land agent and write a Contract of Sale
- For this you need to know your total loan amount and time period required to get finance approval (usually 90 days with a Building Contract as part of the loan; or 30 days if just buying the block first without a Building Contract in place).

5. Sign Building Contract

- Meet with builder to finalise details of build so they can create a Contract
- Meet with the builder to sign the Building Contract
(keep in mind here your timeframe obligations for finance approval on your Land Contract)

6. Submit finance application

- All personal financial information must have been provided to your broker or lender by this stage
- Build Contract must be finalised and signed by this stage to proceed

7. Finance approved

- Formal letter of approval is provided by your lender
- Now your Land Contract can proceed to Settlement
- Your builder can apply for a Building Licence through the Shire (some even do so before this stage if confident of your finance approval)

8. Settlement on block

- You become the owner of the land and Certificate of Title gets transferred to your name
- Your loan commences with your lender
- **COMMENCE BUILDING!**