



<http://loanselect.smartonline.com.au/how-to-avoid-property-pitfalls/>

If you have seen the movie Money Pit, in which Tom Hanks and Shelley Long play a hapless couple whose home renovations plummet from bad to disastrous with every swing of the hammer, it's easy to see why buyers should be beware.

But it's not just hidden and costly repairs that can snag home owners and investors. Haven lifts the lid on other potential pitfalls.

Title check

It's worth enlisting a professional conveyancer to undertake a title search when buying a property. The title search will reveal any easements (shared access) or covenants (restrictions). Easements could include the right for pipes to be buried on your land, while covenants can specify building materials or restrict building height. Easements and covenants are not necessarily deal breakers, but you should be aware, so you can plan around them, especially if renovating or rebuilding.

Off the plan

There are pros and cons to purchasing off the plan. While many punters have notched up solid returns in the short and long term, it remains one of the more speculative ways to buy, especially in markets with high volumes of new apartments in the pipeline.

If buying off the plan, make sure you do your homework on the local market and have sufficient financial back-up to withstand any dip in value on your purchase price once built and any short-comings in the projected rental return.

Weather resistant

Avoid being a fair-weather buyer who collects the keys having only seen the property on sunny days. Rain can quickly transform a poorly-drained property from bliss to bog. If you don't get to inspect the property in wet weather, be bold and ask neighbours how the property holds up in a downpour. You should also always check council flood maps to see if the property is at risk of flash, creek or river flooding. Some councils do a better job than others of collecting and sharing flood data. If council flood maps are not publicly available, a council planner might be able to give you historical information about your property.

A professional building inspection can also help detect any drainage issues.

Know your neighbours

It's hard to know who lives over the fence or down the hall until you move in, but bad neighbours (at the risk of another movie reference) can make or break your dream home.

At the risk of snooping before you move in, try and get a read on who else lives in the street or complex. If flanked by households of renting students, you could be in for some late-night parties, which may be tolerable if a midnight party-goer yourself, but less welcome if you have a young family.

Close inspection

Be sure to invest during the cooling off period in a pre-purchase pest and building inspection by a licensed and insured professional.

Professional inspections can unearth evidence of pests – including termites and rodents – and structural issues such as dry rot, rising damp, roof leaks, asbestos and poor drainage.

There is no cooling off period at auctions, so book an inspection and read the report well ahead of auction day.

Body corporates

If buying an apartment, villa or townhouse, do your homework on the body corporate – the fees for each quarter and how the body corporate operates. A well-run body corporate can help avoid surprise costs for unforeseen repairs and prevent disputes over common areas.

Check there is an adequate sinking fund to cover repairs and refurbishments and sufficient strata insurance to cover total replacement of the apartment building or complex in the event of a catastrophic fire or natural disaster.

You should also request copies of at least the previous three body corporate meetings to get a read on any potential issues.

Beyond your means

Be careful not to commit beyond your finances. Interest rates are at record lows and will inevitably rise again. Make sure you leave a buffer in your budget to manage any increases or change in personal circumstances, even if your lender lets you borrow more initially.

Ideally, your mortgage repayments should be no more than 25 per cent of your total household net income. Talk to your broker to assess your affordability in line with your personal circumstances.

Any advice contained in this article is of a general nature only and does not take into account the objectives, financial situation or needs of any particular person. Therefore, before making any decision, you should consider the appropriateness of the advice with regard to those matters. Information in this article is correct as of the date of publication and is subject to change.