

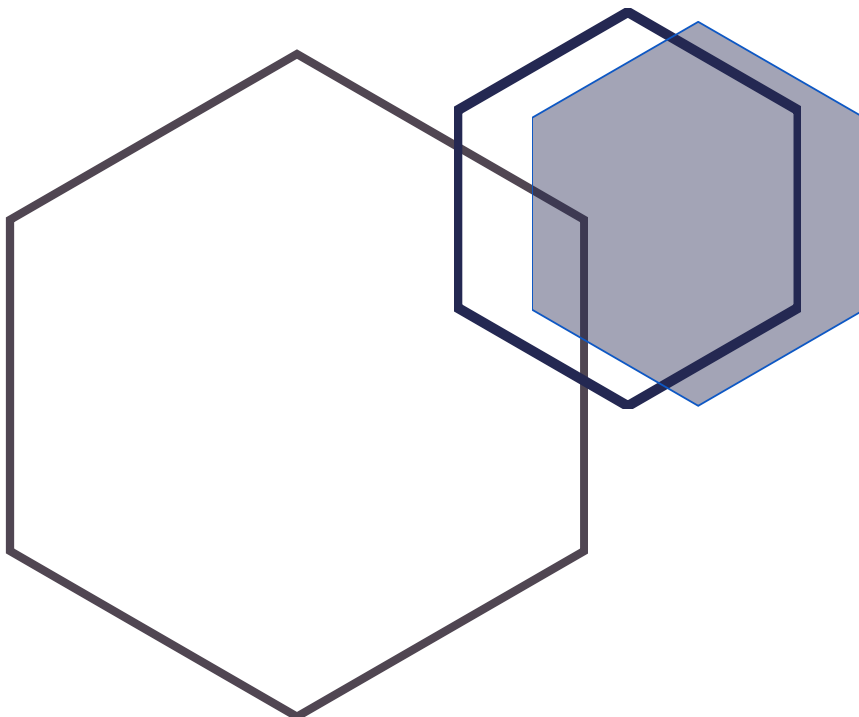


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# Guide to Due Diligence for Home Buyers

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Three essential considerations



# What does it really mean?

The term “due diligence” gets thrown around frequently, especially when it comes to first homeowners. But what does it mean? How do you correctly discharge your due diligence?

## Due Diligence

Essentially, due diligence refers to inspecting and investigating the aspects of the property which could affect the value and suitability of the property. As such, any effective steps to discharge due diligence depends on the type of property and the purpose of its use.

## Owner-Occupier v Investor

When exercising due diligence, considerations should be viewed through the lens of the purchaser. If you are an investor the considerations are distinctly different to if you are an owner-occupier.

For example, an investor should be focused on considering:

- Is there demand for this type of property?
- What is the rental return compared to other similar properties?
- Is the location somewhere that there will be growth?
- Can I budget for land tax?
- Can I afford the property if it were to be vacant or if interest rates change?
- If considering developing, is the site suitable for development? Is it subject to any overlays or restrictions?

If you are an owner-occupier, however, some questions that should be focused on are:

- How long do I intend to live in the property?
- Is the property suitable for my needs?
- Are the rooms able to be used as suggestion (i.e. are the bedrooms each big enough to be used as a bedroom),
- Could I afford the property if my household income changed or if interest rates change?

It is crucial to understand and discharge due diligence before purchasing a property to ensure it is a sound financial move.

# Due Diligence: Checklist

## 1 - Consider the location

### 🏠 Neighbourhood

- What is the demographic of the neighborhood? Is it in a desirable area of the suburb?

### 🏠 Infrastructure

- Is the property near public transport? Schools? Shops?
- Is more transport infrastructure planned for the future?

### 🏡 Amenities

- What is close by in terms of parks, cafes, restaurants and leisure activities?

### 🏗️ Development

- Is development planned for the area? If so, how much? How will this affect the value of the property (positively or negatively)?

## 2 - Consider the property

### 🏠 Ownership

- If it's an apartment, is it strata or company title? What are the costs associated with this set up?

### 🏠 Rooms

- Are all rooms actually considered habitable spaces under council regulations? (Specifically bedrooms and living areas). How does this affect your insurance policy?

### 🏠 Renovations

- Are there any notable buildings or modifications to the property?
- Have these been completed with council approval?

### 🏠 Zoning

- Are there restrictions on development?

### 🏠 Easements

- Are there any shared driveways or access points to the property you need to be aware of?
- Is there any burden on accessing your property because of this?
- Is this marked on title?



#### **Covenants**

- Are there any restrictions on the property, particularly in relation to aesthetics?

### **3 - Consider finances**

#### **Pricing**

- How does the property compare to others of similar size with similar features?

#### **Demand**

- Is the property likely to sell the property quickly if need be?
- Is there a demand for leasing such a property, if need be?

#### **Mortgage**

- Would you be able to afford the property if interest rates were higher? Or if the household income was reduced?
- Is there any plans to reduce income? (e.g. are you considering either party taking parental leave?)

#### **Refurbishments**

- Does the property require any immediate restorations or repairs?
- What is the likelihood of renovations? What is the associated cost?
- What type of ongoing maintenance is required? Can you afford this cost?

#### **How can Brennan Law Partners assist?**

We can provide assistance and advice with respect to:

- Advice regarding due diligence
- Conveyancing
- Leasing
- Property disputes

If you have any questions regarding any information in this BLP Guide, we welcome you to contact us at any time.

