What are the costs involved when buying a property?

Some costs are more obvious than others, so in this guide we outline the costs that could come up along the process of buying a property. These are estimates however so you will need to do your own due diligence.

The reason we put this guide together was because if you know about these costs, you can plan ahead and not get a surprise if you are required to pay for some of them, which in most cases you will.

Finance

Generally your broker will be paid via a commission arrangement with the bank, however if your situation is complex, or you after strategies and plans, a broker might choose to charge you a service fee.

Lender mortgage insurance (LMI) - LMI is an insurance policy which protects the lender in the case that the borrower cannot repay the loan. It's generally for those with less than a 20% deposit. It shouldn't be looked at a bad thing, as it helps you get into the property sooner and really should be looked at a tool. The amount will depend on the amount you are borrowing and your deposit, so chat to your broker on this.

Loan application - some banks might charge a loan application fee for processing the loan. These can start at $150.

Valuation - The bank can charge you for a valuation on the property, however this cannot be more that what the bank is paying for it.

Discharge of mortgage fee - Some lenders and loan products could attract an exit if you wish to pay off your loan earlier or close the loan. Always check with your lender or broker to understand these costs.

Break fee - This is specific to a fixed rate home loan and is a fee the bank will charge you because you have broken the agreed length of time that you would keep the loan. The break fee amount will depend on the loan size, the rate and at what time you are wanting to exit.

Ongoing account fee - Offset accounts, and other more flexible loan types might have account maintenance fees which the bank charges monthly or yearly.

Switching fees - A fee for refinancing with the same lender but switching to a different loan.

Settlement fee - This can be charged at two times, first when you settle the property and then another settlement fee is charge if you ever decide to refinance you loan with another lender.

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Government Charges

These are fees and charges which the government charge over and above anything else, and most buyer are unaware that the transfer fee and mortgage registration is something that the government charges.

Stamp duty (or Land transfer duty, same thing and is state based) is worked out by taking the amount you paid for the property, or what the SRO (State Revenue Office) thinks its worth and using a sliding scale, adding 1.4 per cent for properties valued at $25,000 and rising to 5.5 per cent for those valued at or above $960,000.

This amount may vary if you are a foreign purchaser or are entitled to any exemptions or concessions.

See SRO calculator for more information

Transfer fee (state based)

$1,268.50 for Victoria (July 2020)

Mortgage registration

$119.70

Legal/Conveyancer

One of the most important team members will be your solicitor/conveyancer as they will handle the settlement and check over contracts before you sign your life away, so its crucial not to be price driven when selecting representation. See LINK for some more information on legal representation.
Depending on the complexities of the purchase, costs are $800-$3000

Disbursements - these are over and above the standard legal fees

- Title search
- local council information
- road authorities reports
- Utility authorities certificates
- administrative expenses such as photocopying, mailing and attending the settlement
- obtaining strata reports

Building and pest inspector

Depending on the size of the home, and if you require both the building and pest inspections completed.

Cost $400-$2000

Home, building and contents insurance

A commonly missed cost are your insurances, but they are very important and should be arranged well before settlement so you are covered from day 1. It’s best to shop around on these and use some of the comparison sites out there.

The average cost in Victoria is approx. $1200 for home and contents.

Rates and fees reimbursement to vendor

The vendor might have paid the rates for the the rest of the year or quarter. You will need to reimburse the vendor for the remaining time left, but don’t worry, your conveyancer or solicitor will work it out the amounts.

These can be in the form of council rates, water rates and strata fees.

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Moving costs

Costs to move can range anywhere between a few hundred dollars if you and your mates are going to hire a truck and move yourself, which is the most common option for the first few moves. But if you have done it a few times and know the pain, there are white glove services which literally move everything for you. In the morning you leave the old house and in the evening you drive to the new property where everything has been moved and unpacked for you. The dream.

Cost $100-$5000

Connecting utilities gas, water, electricity and internet

The connections to you services will depend on who go through, and there are plenty of comparable websites available to do some shopping around. Also check with the provider if you need to have everything turned off at the mains in order for them to connect.

Allow $300-$600 here.

Re-establishment survey

Not a very common one, but a re-establishment survey should be completed if you are unsure on the boundaries of a property. Generally when buying a property, there will be some way of identifying what is your property and what is not, usually a fence or a peg. If you cannot properly identify the boundary, or you believe it to be different when compared to the plan of sub division (see link contracts and sec 32's), you can order a re-establishment survey to have these boundaries defined.

Cost $800-$2000

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So what can you expect?

In the below examples we have put together a table of costs when purchasing a $500,000 exisiting property for both a first home buyer and non FHB.

$500,000 purchase in VIC metro (non FHB)

Stamp duty	$21,970
Mortgage registration fee	$119.70
Transfer fee	$1,268.50
Title search fee	$36.20
Building and pest	$600
Legal	$1350
Connections	$400
Moving	$450
Fees & charges	**$26,194.40**

$500,000 purchase in VIC metro FIRST HOME BUYER

Stamp duty	$0
Mortgage registration fee	$119.70
Transfer fee	$1,268.50
Title search fee	$36.20
Building and pest	$600
Legal	$1350
Connections	$400
Moving	$450
Fees & charges	**$4,224.40**