



Making an offer on a house in 2022

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Purchasing property doesn't work the way it does in the movies. Forget the simple montage of an inspection, a signed contract, and a glass of champagne before moving day. In 2022, making an offer on the house in the Australian property market requires agility in a rapid market, clarity about what you're looking for, and the ability to negotiate hard and fast against other buyers.

Given the intensity of current market conditions, many buyers opt to put in private offers ahead of scheduled auctions. Other homes are selling without price guides, increasing the range of offers as agents bet on a hot market to provide a top-end sale price.

Whether you're purchasing at an auction or making an offer on a home for sale privately, the process is similar.

Making a formal offer

Firstly, your offer needs to be made formally for an agent to take it to the seller; this means it needs to be done in writing and given to the agent, who will then take it to the seller to review.

While verbal offers can be made, agents don't value these as highly. A written offer is the way to ensure it makes it to the vendor for their consideration.

Formal written offers can come in various ways, including an email, a signed form or a signed contract. The offer method depends on the agent's preference (and the seller).

Preparing to make an offer

To maximise your chances of your offer being accepted, there are several steps you can take in preparation before submission. The work you put in at the start of your purchasing process will equip you to be in a position to make offers quickly, supported by your borrowing capacity and an understanding of the process ahead.

Secure pre-approval

The first step in your quest for homeownership - is the bank.

Pre-approval is a valuable tool in understanding whether or not you're likely to receive the loan you need to match your intended purchase price. You can speak to your bank of choice directly or with a mortgage broker to start this process. Mortgage brokers are helpful for those who are new to the property market or who may have a difficult borrowing position. They can work with a wide panel of lenders to evaluate who may be most likely to lend to you on the terms that suit your financial situation.

It's important to remember that pre-approval isn't binding. Specific requirements will still need to be met for the lender to approve a loan, so pay close attention to your pre-approval status.

Speak to a solicitor or conveyancer

The easiest way to set yourself up for pain is to sign a purchase contract without reviewing it by your conveyancer or solicitor. Conveyancers will identify elements in a purchase contract that can be modified to suit your specific financing position. For example, if you'll need longer to work with a lender to secure finance, they can negotiate the 'subject to finance' window to fit in with your timeline.

It's worth noting that many conveyancers will only charge you for their review work on an accepted offer. While you may have your heart set on the first home you make an offer on; in reality, you may likely make multiple offers before accepting one. Working with a conveyancer who only charges on successful offers can save you additional costs.

Do your research

If you're purchasing via a private sale, your lender will require an evaluation. This evaluation process gives them peace of mind that the price you're paying for the property is equivalent to its value. In addition, you can firm up the strength and validity of your offer by researching trends across recent sales in the area you're looking to purchase.

Keep an eye on what's happening week to week. By getting to know your local market as intimately as possible, you'll be in a position of strength when offering a fair price for the property.

Go to the open for inspections.

Not only will you get a sense of your competition, but attending the first open for inspection could allow you to make an early offer. If you're the only one at the inspection and it's scheduled for an auction, the odds are high that the seller will be more likely to consider an offer from you ahead of the auction itself.

This is also a great chance to form a relationship with the agent. This is someone you want on your team, as they represent you to the vendor. By having a serious conversation with them that demonstrates your genuine interest, they can get a sense of your engagement.

Know your budget

Yes, it's tempting to offer above your budget and cross your fingers that you'll somehow make it work. But, in reality, this is one quick way to set yourself up for failure.

Know the hard limits of your budget before you start to attend open homes. This can save you the emotional pain of falling in love with a home that's hundreds of thousands of dollars above what you can afford. In addition, by sticking to this budget, you'll be able to review properties within your price range, evaluate their strengths and weaknesses, and build a more objective understanding of what a realistic offer should look like.

Don't waive crucial clauses.

While it may be tempting to waive the clauses that protect you from getting an offer accepted, they are there for a reason. Building and pest inspections can turn up any major issues in the home that could impact your ability to live in it over the years to come safely. Finance clauses give you time to communicate with your lender and complete the application process. By keeping these clauses in, you're ensuring a smoother process.

After you've made an offer

Once you've made your offer, paying the deposit is another way the agent and vendor know you're serious. This deposit is held in the real estate agent's trust account to formalise your offer. If the offer isn't accepted, the deposit is returned to you.

You're within your rights to ask for a timely response to your offer once it's on the table. If the seller accepts the offer, you'll have time to action the conditions you've listed within the contract. For example, finance approval commonly takes a few days, but the offer becomes unconditional once this window is closed and the conditions are met. If you're falling short of meeting these conditions within the defined window, you can request an extension.

If all conditions are met, finance is granted, and you're ready to move forward, the seller will sign the contract. At this point, you've bought a home!

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