



Buying your home

A helping hand from RICS with an introduction by property expert Phil Spencer

Buying, selling or extending a home is one of the most exciting things you'll ever do it's also one of the biggest financial commitments you'll make.

More than ever before, property means big money - YOUR money. It will pay for you to seek the best advice possible from professional experts who really know what they are talking about. It's my opinion that you can do no better than accept 'a helping hand' from RICS.

You do need to remember the agent selling a property to you has a contract and responsibility to his or her client and not to you the buyer. But if you purchase your property through an RICS estate agency or a firm with RICS members they will adhere to a strict code of professional conduct. They are regulated and the way they do business with all parties will be fair and clear.

Most people are inexperienced in property dealings and the UK housing market is complicated to navigate through. In my opinion you will have peace of mind buying through a firm that self regulates and where the agents follow the best practice methods laid down by RICS.

Phil Spencer is known nationwide as co-presenter of two of Channel 4's award winning property programmes **Relocation** and **Location, Location, Location**. Phil has a degree in estate management. His passion is property and he is delighted to be able to work in an industry that is exciting and ever-changing. His wealth of expertise in the property arena positions him perfectly to act as an informed commentator on the market and provide up to the minute, guidance, comment and opinion on the latest issues

Surveys

Part of the buying process includes surveys and I often find property buyers are confused about the distinction between the alternative types of surveys on offer as well as between a survey and a valuation. A building survey by an RICS member will bring you peace of mind and may well in the long run save you a great deal of money.

How RICS can help

Buying a property can be a complex process - and an important part is the survey. Your home is probably the largest purchase you'll ever make, so having a survey makes good sense - and could save you thousands of pounds in costly repair bills. Using the services of RICS members offers real peace of mind because:

- They give you clear, impartial and expert advice
- They act in your interest
- They are tightly regulated and have strict codes of conduct to protect you - including proper insurance
- RICS members have to update their skills and knowledge throughout their careers, so you can rely on their expertise
- You are further protected by our complaints services.

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Arranging a mortgage

Unless you're a cash buyer, you'll need to arrange a mortgage to buy a home. A mortgage is a loan against the property, and there's a huge range of different ones available from banks, building societies and other lenders. Mortgage rates vary too, so it's worth shopping around to get the best deal you can.

What can you afford?

Based on your income, your mortgage lender can help you work out how much you can afford to spend on a property. Most lenders will give you what's known as an 'offer in principle', or the amount they'd be prepared to lend -and it's useful to get this before you start looking for a home. Also, bear in mind there are always additional expenses like legal fees and moving costs. We've included a full checklist of costs at the back of this booklet, but here's an idea of things you'll need to budget for:

Moving costs

- Deposit - normally 5-10% of the property value. If you take out a substantial mortgage, you may be asked to pay a mortgage guarantee premium
- Mortgage repayments and lender charges
- Building survey or homebuyer valuation and survey
- Solicitor's fees, including searches, Land Registry (registry of deeds sometimes in Northern Ireland) and stamp duty
- Removal costs
- Possible reconnection costs for phone, gas, electricity and water
- Re-directing post.

Monthly costs

- Mortgage
- Buildings and contents insurance
- Council tax
- Water rates
- Electricity and gas
- Phone and internet
- Ongoing repairs and decoration.

Choosing your property

Decide on the kind of property you want, such as semi-detached, terrace, or flat – then ask yourself a few questions each time you view somewhere:

- Can you really afford it?
- Is it near the transport links, or schools, or facilities you need?
- Do you like the area?
- Is it big enough?
- How old is it?
- Does it have enough outdoor space, such as gardens and garages?
- Is it freehold or leasehold?
- How easy will it be to sell?

To find suitable properties, we can provide a list of local RICS members who can help with your search. You can also try looking through local papers or search on the internet. It's probably a good idea to look round several properties and get a feel for the market before you buy.

New properties

New properties are very popular and offer lots of advantages:

- They need less upkeep early on
- Fitted kitchens, bathrooms and flooring are often included in the asking price - and you can usually choose the style and colour of fittings
- Some builders also offer a range of home exchange schemes and deals on moving costs
- Building regulations for new properties set high standards of insulation, which means your home should be more energy efficient and less expensive to run.

Most new homes are covered by a National House Building Council (NHBC) Buildmark or equivalent certificate. This provides a 10 year guarantee, but it's not comprehensive, so don't assume it covers everything.

Things to keep in mind

New houses often sell at a premium to reflect the included extras. After a few years, the price of new property moves into line with the local property market

Before you buy a new property, make sure you have a solicitor on board to check the property:

- Has proper planning permission and is correctly built on its allocated plot

- Hasn't been built on contaminated or filled land - or if it has, you have valid certificates ensuring the land has been properly treated first. This is crucial for building insurance.

You should also get the builder to give you:

- Proper guarantees, such as NHBC Buildmark or similar certificates
- Test certificates and user guides for any electrical, gas or built-in appliances
- The final certificate from the local authority building inspector
- Confirmation the property's energy efficiency matches the SAP (Standard Assessment Procedure) rating provided to the local authority.

If you'd like to know more about what to look for when buying a new home, visit the National House Building Council

Non-traditional housing

If you're looking for something different, you could check out the possibilities of pre-fabricated buildings, constructed in a factory to your specifications and delivered on-site. Off-site construction can include anything from simple extensions built ready to plug into mains services, right through to entire pre-fabricated houses.

Older properties and those needing work

If you want to buy an older property, we'd strongly advise having a building survey first. An RICS member will find out if there are any hidden structural problems, and could help you avoid spending a small fortune to fix things at a later date.

When you buy an older property for renovation, you need to check building regulations carefully - your RICS member can help ensure this is done accurately and professionally. Some major building repairs may also need permission from your local authority building regulations department. Before you buy a property to renovate, work out the total cost of repairs on top of the initial outlay - and decide whether the property is still worth renovating.

Listed buildings

If the property is a listed building, or in a conservation area, any work you do on it may be restricted, and have to follow certain guidelines. The scope for any structural change could be extremely limited and you'll need to discuss any proposals with your local planning authority. You may also have to get consent from English Heritage (or Welsh Heritage/CADW) before work can begin.

Buying at auction

Most property is bought and sold through estate agents, but you can also buy property at auction. If you buy at auction you must exchange contracts and agree the sale straight away - you'll be legally bound to the sale and can't back out. We advise you to employ an RICS member to undertake a survey of the property before you buy.

Some auctions are carried out using a sealed bid system. This means all potential buyers send a letter to the agent stating how much they want to pay for the property. When the letters are opened, the property is sold to the highest bidder.

Specialist advice from RICS members

Any RICS member specializing in construction, restoration or conservation can help you with:

- Property extensions - contacting your local authority for permission to carry out the work, and advising on any likely restrictions and costs
- Re-planning property - advising you how to demolish or erect structural walls and other building elements
- Any work affecting boundary or party walls with your neighbours
- Safety features, including means of escape.

Types of ownership

There are four types of ownership or 'tenure' for property:

Freehold

If you buy a property freehold, it means you have full ownership of the property until you decide to sell it. Freehold properties are usually houses with gardens

Leasehold

If you buy a leasehold property, it means you have part ownership and the right to live there for a fixed time only - usually either 99 or 125 years (999 years or longer in Northern Ireland). Leasehold properties are generally flats and maisonettes. A landlord owns the freehold of the building, but doesn't have access to your flat unless invited.

The value of a lease decreases with time, but you can usually extend your lease or buy a new one. Many building societies and banks may have restrictions on granting mortgages where leases are below 70 years. An RICS member can give you more information about this.

You'll also probably have to pay ground rent on leasehold property, and if it's a flat or maisonette, you may have to pay a service charge to cover repairs and cleaning of shared areas. Before you buy, get your solicitor to check:

- How much these extra charges are
- Whether you have to pay them in advance
- If a management company is responsible for collecting payment
- Whether building maintenance is managed by the freeholder
- Any future costs, such as re-roofing, exterior redecoration, replacement of lifts or communal heating boilers.

A survey of a leasehold flat or maisonette will tell you who has responsibility for repairs and maintenance. An RICS member will ensure you get all the details from the landlord.

Commonhold

Leaseholders have the right to convert from leasehold to commonhold if they buy out the landlord, in both new and existing buildings. Commonhold provides a different management structure for blocks of flats and other interdependent buildings with shared services and common areas. Please note that commonhold does not exist in Northern Ireland, but leaseholders have a right to buy out their ground rent.

Shared ownership

Housing associations offer shared ownership as a part-buy part-rent way to own a property. You pay a mixture of mortgage and subsidised rent, making the homes affordable for those on or below average incomes. If you start to earn more, you can increase your shares in your home, and have the option of owning the property outright.

Viewing a property

First impressions count for a lot - but you should view a property at least twice, preferably at different times of the day, to give you a better idea of what's on offer. Location is a big priority, so check the surrounding area and local amenities. Here are a few things to think about to make sure it meets your requirements:

- Nearby main roads, or pubs, clubs or restaurants -they can be handy, but also noisy
- Nearby railway lines - or overhead flight paths
- The feel of the community - does it seem friendly?
- The aspect of the house - does it get enough light?
- Is the property well maintained?
- The age of the property
- Garden size
- The condition of nearby properties

On the inside, check to see whether:

- The property needs updating - and if so, how much?
- Everything works, like the lights, taps, plugs and windows
- The rooms are big enough
- The fixtures and fittings are going to be included in the sale - especially if you like them
- You like the views
- It feels like home.

Surveys

Why surveys are important

Your home is likely to be the biggest purchase you'll ever make, so having a survey is worth it. A survey not only offers peace of mind, but could potentially save you thousands of pounds in costly repair bills in the future.

The Consumers' Association, the Council of Mortgage Lenders and any solicitor will advise you to get a survey before you buy a property, and not just to rely on a mortgage valuation. Here's why:

Mortgage valuation

Your mortgage lender will send a specialist valuer to work out how much the property's worth so they can decide whether to give you a mortgage or not. The valuer is only concerned with problems that might affect the security of the loan, not whether you have any structural problems that need fixing.

Surveys

An RICS member carries out a survey to see if there are any structural problems.

It's like a 'health check' for buildings, which could save you thousands in the future. There are three main types:

Homebuyers survey and valuation (HSV)

This is most suitable for conventional properties built within the last 150 years which are in reasonable condition. It provides a concise report detailing any significant problems that could make a difference to the value of the property.

Building survey

This is suitable for all residential properties, providing a detailed report on their construction and condition. It's particularly useful if the property is dilapidated, has been extensively altered or you're planning a major conversion or renovation.

Pre-sale survey

This is when both seller and potential buyer agree to rely on the information provided in the pre-sale survey. It's the seller, who without obligation, commissions a pre-sale survey. At the moment pre-sale surveys are unusual, but under new legislation in 2005/6, they will become more common

The Process

01 - Find a home

The time between your offer being accepted and completion on the property sale varies enormously. Depending on whether there's a chain involved, it can be anything from four weeks to several months.

02 - Your offer is accepted

Before you sign anything, make sure you know what's included in the asking price.

- Check you're keeping all the fixtures and fittings as listed in the property details
- If you like the carpets, see if they're included too.

You'll find furniture isn't usually included, unless it's specifically listed.

03 - Subject to contract

Your accepted offer is still subject to contract - which means the sale is agreed but isn't binding until you exchange. For the time being, either side can back out without facing legal charges.

04- Arrange your mortgage

If you haven't already got a mortgage in place, your next step is finding one - or making sure you have the money ready.

05 - Arrange a survey

Ask an RICS member to conduct a survey of the property

06 - Instruct your solicitor

Ask your solicitor or conveyancer to start local authority searches, and environmental searches if necessary. Once they're happy with the legal aspects of the property, and you have the finance in place, you can exchange contracts.

07 - Exchange contracts

When you exchange, you usually have to pay a deposit of 10% of the agreed sale price. You complete when the rest of the money is transferred to the seller - then you can move in.

08 - Move in

Collect keys from seller's estate agent and instruct your removal firm.

Know your rights

The 'home information pack'

In 2005/6 government legislation will change the way we buy and sell homes in England and Wales. The responsibility for getting searches and surveys done will become the seller's, so the buyer can make a more informed decision.

At the moment when you buy a property, you have to make an offer with very little information to hand. If a structural or legal problem shows up later, it can cause extra expense, ruin a sale, or even destroy a chain.

The home information pack (also known as the seller's pack) aims to reduce the time it takes from the accepted offer to the exchange of contracts, hopefully reducing the chance of any gazumping or gazundering. RICS will be supporting the legislation and providing training for home inspectors through our homebuying reform initiative called '*Safe as...*'

Gazumping

This is when the seller accepts your offer - then later accepts a higher offer from someone else.

Gazundering

This is when a buyer offers a lower price than they originally offered just before contracts are exchanged - hoping the seller will accept it rather than lose the sale.

The seller has ultimate responsibility for accepting another offer, not the estate agent. It's important to know your rights before you buy or sell a property. Here are two main pieces of legislation affecting estate agents.

The Estate Agents Act 1979

By law, estate agents must:

- Give you their terms in writing, and say whether or not they are acting as multi, joint or sole agent
- Explain their fees
- Declare any personal or connected interests
- Report any offers (unless the seller instructs otherwise) in writing quickly
- Have separate accounts for deposits and client money
- Not misrepresent any offers.

The Property Misdescriptions Act 1991

Any information about the property must be accurate, whether it's written or verbal. It can't be misleading or false, including any photographs or website information.

Moving costs checklist

Legal fees

Solicitors

These vary from place to place. It's worth asking if your solicitor will offer a no buy, no charge deal. When you buy, expect to pay the solicitor about 1% of the total agreed price - but check the range of services they'll provide for the fee. It's often worth choosing a solicitor on the recommendation of a friend or colleague - otherwise contact the Law Society on t +44 (0)870 606 2555

Land Registry fee

This is a charge on the purchase of the property and is related to the buying price - your solicitor will have a list of charges.

Local authority searches

These are checks to make sure there's no reason why the sale can't go through, and can bring up problems such as roads planned near the property which might affect your decision to buy. Fees vary depending on the property location.

Other searches

These are to check on things like mineral rights, flooding, subsidence, landfill sites and pollution in the area. Homecheck provides much of this information free of charge.

Mortgage lender charges

Valuation fee

This is usually included in the mortgage arrangement charges.

Mortgage arrangement fee

This varies from one lender to another, especially if you are taking out a fixed rate mortgage.

Mortgage indemnity policy

This is a one-off charge lenders make in case they have to repossess your property and sell it at a loss. It's approximately 8% of the difference between your loan and what the lender thinks the future price of the property might be - and you only pay it if your loan is for a high percentage (between 95-100%) of the purchase cost of the property.

Mortgage redemption charge

You only pay this if you change lenders and break the terms of the mortgage - and it usually only applies to fixed rate mortgages.

Bridging loan

If you complete the sale on your new property before you sell the one you already own, you may have to take out a bridging loan. There are two types - the closed loan and the open loan. With a closed loan you know in advance when you can repay it. With an open loan, there's no set repayment date and it carries a higher

risk - so it's more expensive. An alternative may be taking out a flexible short-term loan from your bank.

Survey

Keep in mind when you buy a home, you want independent advice, giving you the detail you need. A valuation from a mortgage lender may be free, but it only really tells you whether the house is worth the money they're prepared to lend you. A survey from an RICS member will tell you a great deal more, and could save you thousands in the long run - especially in older properties, or when you want to make alterations.

Surveyors' fees vary, so compare prices before choosing, and negotiate the fee to match the size and type of property. Ask the surveyor exactly what's covered in the survey, so you know what you're paying for and can ask them to look for extra things.

Estate agent's fees

These are likely to be between 1-3% of the sale price plus VAT - charges vary, so get a range of agents to quote. Sole agency fees are likely to be less than multiple agencies.

Stamp duty

This is a tax on buying property for on the price you pay - here 's a guide:

- £60 000 - £250 000 the current rate is 1%
- £250 000 - £500 000 the current rate is 3%
- Over £500 000 the rate is current 4%

For more information, call the Inland Revenue on t +44 (0)845 603 0135

Buildings insurance

From the moment you exchange contracts, you need building insurance on your new property. Insurance rates vary between companies, so it's worth getting quotes from several different insurers - and make sure you know exactly what's covered in the policy.

Services

You don't usually have to pay to have gas, electricity or water reconnected, but there may be a charge to reconnect the phone.

Moving expenses

The cost of moving varies according to how much stuff you have, how difficult it is to pack, how far you're moving and the time of year. Shop around for the best deal - and remember it's worth checking to see if the quote includes insurance.

Storage

If you're not moving straight into a new home, you may have to consider storage. The costs for this vary according to the quantity of stuff involved - as a rough guide, a two-bedroom house will probably fill up to four containers, and a three-bed house can fill six.

It's always worth asking your surveyor if they are an RICS member – they'll have the initials TechRICS, MRICS or FRICS after their name, or look out for the RICS logo.

(information taken with permission from www.rics.org)