

# Real Estate News

INFORMATION TO HELP YOU WHEN BUYING OR SELLING | April 2011 |

## Cooling off vs 66W How to make an offer to purchase

**After what has more than likely been an exhaustive search, the time has arrived to make an offer and hopefully secure your dream home. Suddenly a whole new world of possibilities and options are put forward to you that you had not previously considered.**

### **How best to secure the property without making a mistake?**

Most people have two great fears once they have found the right home and verbally agreed on a price with the owner.

They fear hidden issues with the property and/ or being gazumped.

It is further confused when having to decide between a cooling off period or 66W. It feels as though the two avenues to securing a property contradict the two great fears when buying.

After offer and verbal acceptance has been reached between the buyer and seller, the buyer is going to take on some kind of risk. The risk is either the property being sold to another buyer or the risk of losing a holding deposit.

When you get to this stage of the process, for the sake of your sanity, it is imperative that you accept the system is not perfect.

### **5 Day cooling off period**

A 5 business day cooling off period is when both seller and buyer sign a contract on agreed terms and price. At the completion of the 5 days, the contract is deemed unconditional and the buyer cannot rescind the contract without incurring large penalties. The buyer is entitled to pull out of the contract during the 5 business day cooling off period. However the seller cannot pull out once they have agreed to the contract – even if they receive another offer. If the buyer does exercise their right to pull out of the contract, they forfeit 0.25% of the agreed sale

price to the owner. On a \$1 million transaction, the buyer would forfeit \$2500 to the owner, as a form of compensation for taking the property off the market.



The cooling off period is an attempt at preventing gazumping whilst still providing the buyer time to conduct their checks and searches. The risk or penalty of forfeiting 0.25% of the sale price ensures that sellers are dealing with a fairly serious buyer when they enter a cooling off period.

The terms of the contract can still be negotiated in the cooling off period between the vendors and purchasers respective solicitors.

If the buyer decides to proceed with the property at the end of the cooling-off period, the 0.25% deposit then forms part of the required 10% deposit.

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# How to avoid costly mistakes

Jenman booklet sets out the 13 worst mistakes made by home-buyers



Buying a home can be one of the most rewarding and exciting times of a person's life, or it can be a nightmare of frustration and disappointment and lead to serious distress.

But, how do you avoid the pitfalls of buying a home and ensure you buy well and make sound financial decisions that will guarantee you and your family security for the rest of your life.

## A common mistake made by purchasers is buying what they want rather than buying what they can afford

A booklet published by Neil Jenman, sets out the **13 worst mistakes made by home-buyers**. It suggests how buyers can avoid these mistakes and make sure that they don't buy unwisely so that buying a home will indeed be an exciting and rewarding experience.

For example, a common mistake made by purchasers is buying what they want rather than buying what they can afford. The booklet stresses that there are two kinds of buyers: Those who buy what they want, and those who buy what they need.



Before buying, purchasers need to list their requirements for buying the right property. For example:

- They should ask themselves whether or not they really need four or five bedrooms or would less suffice.
- Is living in the 'best' area an essential, could you consider buying a better home in a less expensive -and less prestigious -area.
- Do you need to have the most up to date amenities -kitchen/ bathroom as these will surely push up the sale price? Ask yourself, is it a possibility that you could do some of your own renovations on a less in price property in the same area.
- Do you want to be near public transport or do you need to be near public transport and so on.

Ensure that you buy the right property. Research the area that you would like to buy in. Consider buying what you need rather than what you want and that you are able to afford the property. There are few things worse than discovering, after you have bought, that you could have bought better or that you have bought beyond your financial means.

### "Think about it. Be careful"

To find out what the other 12 worst mistakes are contact Snowden Parkes on 02 9808 2944 to receive your free copy of 'The 13 Worst Mistakes made by Home-Buyers'.

## LETTER FROM EDITOR



How do you choose the right agent?

It's not about the price. It's not about the fees.

It's about TRUST and COMPETENCE.

When a doctor prescribes you tablets to take, it's not about the tablets.

You take the tablets because you believe in the doctor.

If you don't trust and believe in the doctor you don't take the tablets and invariably you seek another opinion.

It's the same when you are dealing with an agent. After all, they are looking after what is in most cases your largest asset.

Listen to your intuition. Do you trust your agent? If the answer is YES, then follow their advice. If the answer is NO, then move to a relationship where there is trust.

If we can assist you in any way at any time, please give us a call.

**Tony Abboud**

Principal

**P.S. You can now follow me on twitter, 1tonyabboud!**

# Cooling off vs 66W

## How to make an offer to purchase

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### 66W Certificate

A 66W is a certificate signed by the buyer's solicitor or conveyancer that waives all the buyers cooling off rights. This usually happens when the buyer has completed all their checks. All things being equal, if two buyers are competing for the one property, the buyer with a 66W certificate will normally be of more interest to the owner. The owner is usually more interested in a secure sale rather than a possible sale in 5 days time.



To submit an offer with a signed contract and 66W means that there is no turning back for the buyer, or the seller. The full 10% deposit is required to be paid into the agent's trust account upon the exchange of contracts.

All checks, concerns and terms need to be sorted out in advance of the contracts being exchanged.

### Safety First

The safest way for a buyer to submit an offer to the owner is by conducting all due diligence in advance of signing a contract and 66W. Coordinating the pest and building inspector, the bank, the bank's valuer and your solicitor/conveyancer in a speedy fashion can be problematic. This process can take anywhere from 3 to 14 days. Whilst you are conducting all the necessary checks and searches, the property is contractually unsecured. The owner can

legally sell the property to another buyer. What is moral and what is legal are different in such circumstances. This point catches many people by surprise.

It is uncanny how often a second buyer with a higher offer will emerge once an offer has been accepted.

Many buyers who have had their accepted offer topped by another buyer blame the real estate agent. This is both understandable and often incorrect. By law, a real estate agent must submit all offers to the owner. This is a legal requirement upon the agent.

All agents will at some time or other find themselves wedged between their legal obligations and what is fair toward the buyer who has had their offer verbally accepted. The moral decision of what to do with any subsequent offers is then with the owner. "Do we accept the lower offer or do we go with the higher offer and gazump the first buyer?" It is not an easy decision to make for the owner.

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Many solicitors and conveyancers prefer to conduct the due diligence prior to signing a contract, because it is the safest way to conduct their client. In some instances, it may result in the buyer missing out on the odd property, but at least they are safe from buying the wrong property.

In summary, until contracts have been exchanged, the buyer's position is safe, but the property is at risk of being sold to someone else.

### Property First, Checks Second

The most assertive way for a buyer to submit their offer is to sign a contract with a holding deposit of 0.25% once they have decided to buy the property. Should the seller accept the offer, any chance of being gazumped is removed. The buyer now has an option over the property for 5 business days. The due diligence can be conducted in an orderly fashion. The holding deposit is at risk of being lost if you rescind the contract, but the property isn't at risk of being sold to another buyer.

The cooling off period is particularly beneficial for a buyer if you are confident in the property and your finances and you wish to secure the property that day.

An underestimated aspect of signing a contract with a cooling off period is that the property owner usually gives added consideration to an offer accompanied with a cheque and signed contract as opposed to a written offer.

The cooling off period is legislated at 5 business days so that if contracts are exchanged over the weekend, the property will be sold unconditionally on the following Friday. If the buyer rescinds the contract during the 5 business days, the seller can put the property back on the market for the following weekend without losing any momentum in their sales campaign.

When it comes to the best way to secure a property, there is not a one size fits all solution. It pays to know your rights, options and position on how best to proceed.

**In the real estate game, knowledge is power.**

# Why not make Sunday the day!

Typically most real estate offices do not operate on Sundays, thus not being able to offer you a complete and full service.

This is surprising when you consider that you are able to buy your groceries on a Sunday and that most other major purchases are usually made on Sundays. For example T.V.'s, furniture such as beds and lounges and even a new car.

## Should your real estate agent be available on a Sunday?

A real estate agency being open 7 days of the week is actually quite unique and offers major benefits to both the buyer and the seller. The main point of difference is that you have a full time agent as opposed to a part time agent. Working Sundays shows how committed and dedicated your agent is to you.

People today lead busy and hectic lives. Work, family, commitment with sports and other activities, quite often leaves very little time when it comes to the detailed process of buying and selling

a home. Hence the benefits of a real estate agency trading on a Sunday are as follows:

- It offers the opportunity and convenience to meet with an agent.
- Properties not competing with other time slots of properties on the market. Quite often pushed between fixed appointments on a Saturday.
- More opportunities to view and inspect properties.
- Receiving a complete service.
- Increased opportunity for activities and results.
- More buyer enquiries.
- The client will make more sound and rational decisions in a relaxed environment.

So if you feel that Sunday could be the day for you then please don't hesitate to **call Snowden Parkes office on 02 9808 2944** where there will be an agent to answer your enquiries.



Real Estate  
Careers

Great people.

Satisfying.

Career paths.

Winning agency.

## An environment where you can excel

Here at Snowden Parkes we're always keen for aspirational individuals to join our Sales and Property Management teams.

We offer plenty of rewarding career opportunities and a nurturing environment which breeds success. So if you're up for a challenge and are looking for a long-term real estate career, we'd love to hear from you.

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