

PROPERTY NEWS

Ideas to help you when you're Buying or Selling

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.

See page 3 for full details ▶



Research, knowledge and a good real estate solicitor are the keys when buying a property.

In this issue of Property News:

- Cooling off vs 66W
- Can you put it in writing?
- Suburb snapshot – Leichhardt
- 2011 previewed
- Recent sales

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Letter from the Editor

Dear Readers,

Welcome to the first edition of Property News for 2011.

The coming year is shaping up as an unpredictable path ahead.

Many contradictory factors are impacting on the market sentiment at present.

We hope that it is a good year for you.

Louis Christopher offers his expert analysis for 2011 on page 4.

If the team at Harris Partners can assist in anyway, please contact our office on 02 9818-2133.

Best wishes,

Peter O'Malley



That sounds good

Can you put it in writing?

When it's time to sell, like most people, you will probably speak with a few real agents to get their respective views on how best to market and price your property. Like most people, you will get a large degree of variance from the agents on the expected price you are likely to achieve.

It can be extremely confusing to identify which agent priced your property correctly.

The agent that quotes the highest price is usually the most appealing. But they can also be the most dangerous – particularly if they want you to “invest” in their “premium” advertising campaign. This “investment” is paid in advance, regardless of the outcome, result or success of the forthcoming campaign. If your property sells at or above what the agent quoted you, the campaign has been a success.

But, what if the highest offer is below what you have been quoted by your chosen

agent? You now have one of two unpalatable options to choose from – sell for less than you had hoped for or decline the offers and do your dough on the advertising campaign! Many auction campaigns start at \$3000 and can cost as much as \$15,000. In the day and age of the internet, this is a crazy and totally unnecessary upfront risk and expense.

Even though you committed to the advertising campaign based upon your agents price estimate, you wear the bill when it fails! Your money is where the agent's mouth is. Heads you lose, tails the agent wins.

The solution? Have your agent guarantee the price they quote you, in writing. The Price Guarantee being, should your property sell for less than your agent quoted you, you pay the agent nothing for the advertising and commission.

Many call the Price Guarantee a lie detector test for real estate agents.



Trust me! I am a real estate agent.

If the agent is confident of achieving their quoted price, they won't mind getting paid for the advertising on delivery of the promised result.

For a complimentary copy of the Price Guarantee, contact Samantha Segart at Harris Partners on 02 9818 2133.

Suburb Snapshot

LEICHHARDT

	2000	2005	2010
Average House Price:	\$411,536	\$623,833	\$916,808
Average Unit Price:	\$357,135	\$458,252	\$577,240
Sold by Auction:	65	48	124
Sold by Private Treaty:	312	290	246
Highest House Price:	\$770,000	\$1,165,000	\$1,770,000
Highest Unit Price:	\$750,000	\$870,000	\$1,270,000

Source: APM

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The Process of Buying

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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.

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.

Many solicitors and conveyancers prefer to conduct the due diligence prior to signing a contract, because it is the safest way to protect 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



Progressing from verbal agreement to exchange of contracts can be a challenging period.

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.

How much should you pay an agent?

NOTHING...

if they sell your home for less than they quote you.

Contact Harris Partners today
for a guaranteed price quote on your home.

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2011 PREVIEWED

by Louis Christopher

'It's that time of year again where the old crystal ball comes out and we do some gazing for 2011.'

You know, the great thing about being a public analyst is that it is rare the media hold you to account regarding past predictions! So in the spirit of accountability, our following predictions were forecast in this column for 2010:

- Sydney's house prices would record approximately 8% growth for 2010 with the market slowing due to the withdrawal of FHOG and higher interest rates.
- Building approvals to surge, with developers having a good year.
- Upper end of the market likely to outperform the lower end
- Affluent end of the market likely to record a rapid decline in vacancy rates, while lower end would remain very tight.
- Interest rates must not go over 8% otherwise its 'curtains' for the Sydney Market.

The market has indeed slowed to a trickle. In fact, it is not sage to state that real estate prices in the Sydney market have fallen in the second half of 2010. However due to the surge in the first half, the annual rate of growth for 2010 was close to the 8% mark. The rise in the interest rates and the withdrawal of

the First Home Owner's boost were the primary drivers for the slowdown.

Property Developers have had a good year and there was a surge in building approvals in the first half of 2010. However, since then, the approvals have been falling. As at the time of writing though, most developers that we have surveyed are still recording good sales.

The jury is split on whether the upper end of the market outperformed 2010. True, it has had a better year than 2009, however there were patchy performances for properties at the two million dollar plus level.

Future Predictions

- Vacancy rates to remain tight for the most of the market and that means at least a 7-9% rise in market rents for 2011.
- Building approvals to now soften as investors largely stay on the sidelines following very high interest rates
- Outer ring in Sydney, particularly Sydney's Southwest and west will outperform in rents and capital growth. The affluent end of the market is going to underperform once again and watch out for properties around the one million mark. They are likely to be discounted most.
- We remain with the firm conviction that the average home loan lending

rate must not go over 8%. If it did, that would hit the Sydney market hard, depending upon the time it would stay at those levels. The reality is that since we are more indebted than ever to housing, it simply takes a lower interest rate to have the same impact. It also highlights what a foolish decision it was to reintroduce the First Home Owner's boost in late 2008. Locking in & stretching young home buyers to their financial limit when interest rates were at a record low of 5%, was irresponsible.

Our overall forecast is that the Sydney market is likely to record flat to moderately falling house prices for 2011. We believe it is going to be somewhere between a 0-4% decline. If lending rates go beyond 8% without any cuts later in the year (currently they are about 7.8%), then it might be worse. Perhaps up to a 7% decline in some areas. It is clear now that the RBA is happy for the housing market to have a correction. Previously, I did not believe that they would want to risk a housing bust so early in the economic recovery. However that was one prediction I did get wrong in 2010.

'After all, there was already a housing bust taking place outside Sydney (Gold Coast market was extremely flat), which, presumably the central bank was aware of and yet they still lifted rates.'

RECENT SALES

20/5-13 Hutchinson St, Surry Hills	\$625,000	39 Foss St, Forest Lodge	\$675,000
95 Rowntree St, Birchgrove	\$1,150,000	95 Renwick St, Drummoyne	\$Undisclosed
26 Terry St, Balmain	\$1,535,000	91 Cary St, Leichhardt	\$992,500
11/295 Lilyfield Rd, Lilyfield	\$659,000	16 Glover St, Lilyfield	\$880,000
19 Daniel St, Leichhardt	\$Undisclosed	27 Percival St, Lilyfield	\$1,050,000
63/1 Gladstone St, Newtown	\$639,000	71 Mansfield St, Rozelle	\$705,000

GENUINE BUYERS

looking to buy properties



Susan - \$750,000

Ready to buy today. Looking for a renovated 2 bedroom cottage or terrace close to the CBD and transport. Character features hold the most appeal. A nice private garden courtyard is desirable and parking would be a bonus. Preferred location is Glebe/Forest Lodge or Annandale.



Robert & Emer Byrne - \$800,000 +

Robert and Emer were recently married and are now looking for their first home. Rozelle, Lilyfield and Leichhardt is their preferred suburbs. Townhouse or small house would be more than suitable. Being busy professionals, a property that does not require any work is more suitable than a renovation project.



Selina - 3 bedroom house in Balmain up to \$1.2 million

Selina and her husband are keen to purchase a 3 bedroom house in Balmain. Space is more important than finishes. It would be a bonus to be close to a ferry wharf, but not essential. Selina is happy to consider any property that suits this broad criteria.



Grant Wright - \$800,000

Grant is seeking an unrenovated house in Rozelle or Lilyfield that he can renovate. The more work that is required, the better. Weatherboard or brick is fine. If the owner requires a long settlement, he is happy to accommodate.



Jennifer Wilson ... In search of a Balmain home

Jennifer has been searching for a home in Balmain in a quiet location with a spacious garden. Some work is okay, but nothing that requires excessive work. Views and finishes are not as important as garden space. Parking would be a bonus.

















































IF YOUR PROPERTY SUITS ANY OF THESE BUYERS' CRITERIA,
CONTACT HARRIS PARTNERS ON

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www.harrispartners.com.au OPEN 7 DAYS

RECENT SALES

SOLD		19 Daniel St Leichhardt \$753,000	 2  1  -	SOLD		3 Plunkett St Drummoyne \$Undisclosed	 4  3.5  2
SOLD		603/1 Roseby St Drummoyne \$1,410,000	 3  3  2	SOLD		8 Cove St Birchgrove \$1,775,000	 4  3  -
SOLD		11/295 Lilyfield Rd Lilyfield \$659,000	 3  1  1	SOLD		458 Lyons Rd West Five Dock \$950,000	 5  3  1
SOLD		26 Terry St Balmain \$1,535,000	 3  1  1	SOLD		39 Foss St Forest Lodge \$675,000	 2  1  -
SOLD		95 Rowntree St Birchgrove \$1,150,000	 3  1  -	SOLD		11 Myrtle St Leichhardt \$Undisclosed	 3  2  2
SOLD		16A Plunkett St Drummoyne \$1,515,000	 3  2  1	SOLD		63/1 Gladstone St Newtown \$639,000	 2  2  1

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