

The Cart Before The Horse

We've noticed that a fair number of potential buyers currently looking around have properties they also need to sell, prompting the topic for this week's newsletter. At first glance, the issue of whether to sell or buy first may seem like a chicken-or-the-egg-scenario, but as with everything else real estate, the best answer to the question depends heavily on the state of the market.

In the scenario where the market is rising, buying first makes total sense. You get to lock in the new property at today's prices and sell at tomorrow's higher prices, which should leave you with a better result in the overall sales equation. But in a market like today's where prices are flat or even falling, the answer is markedly different. In these conditions, it's far better to sell at current prices **then** look at buying at tomorrow's prices, perhaps at an even bigger discount than the one you sold for.

We've seen a few contracts exchange recently which are subject to the sale of the purchaser's property. For those out-of-state or unfamiliar with this particular concept, these contracts usually include a "72 hour" clause, otherwise known as a "sunset" clause. Basically it means that until the purchaser's home is sold, the vendor is free to consider other offers and the property will continue to be actively marketed by the agent. If another more attractive offer comes along, the vendor can give the original purchaser 72 hours to make the contract unconditional, regardless of whether they have sold their home or not – otherwise, the contract falls over.

This type of agreement might sound like a good idea, particularly in conditions like those we're experiencing now where each party might want to hedge their bets. In some cases, there might even be more than one "subject to" contract on the same property, with the vendor just waiting to see which purchaser can go unconditional first.

The trouble for the purchaser in this situation is that it can put them under incredible pressure and stress to sell their existing property. They often form an emotional attachment to the new property and may feel forced into accepting a low offer on their own home in order to conclude the sale. Also, without knowing exactly what their original property will sell for before they buy, owners don't have all the information they need to make an educated decision and may end up paying too much.

Although it's tempting to secure a new property before selling the old one, in the current market my advice is to sell first if at all possible. Request a long settlement of around four months **then** look at re-buying. It's the best way to put the horse before the cart and make the sales equation work for you.

Looking forward to helping you make good property decisions,

Michael Knights