

A Buyers Guide to Deadline Sales

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What is a deadline sale?

A Deadline Sale (also known as Set Date of Sale) is similar to a Tender in that there is a deadline date when all offers must be submitted by. A deadline sale differs from a tender as a seller can accept offers that come in prior to the deadline sale date if “unless sold prior” is included in all advertising. This gives the seller the option to consider whether a prior offer is favourable enough to warrant stopping the deadline sale and can be accepted. However, if the seller deems it not favourable enough to stop the deadline sale, the seller can allow the process to continue to deadline date when all or any offers are presented together.

Why are prices not advertised in deadline sale?

The seller will not disclose any information regarding the price they will finally accept because the seller needs to find out first what the market value really is and this is only achieved by the buyer making an offer.

The seller wants the buyer to make the first offer so you need to inspect the property and decide what to offer. The important thing is to be knowledgeable and then make your offer.

Does my offer have to be in writing?

Your offer must be completed in writing using a sale and purchase agreement and can be made conditional on factors such as mortgage finance, title search and building report. When all the terms of the sale (including the purchase price, settlement date and any other conditions you may require) have been agreed to by the buyer and the seller, the contract will be signed and dated.

What should I think about when submitting an offer?

Buying at deadline sale requires the same care and research as buying by any other method. You should ensure you clearly understand the sale and purchase agreement. Legal advice should also be sought by you before finalising your offer.

Will other buyers know what I have offered?

No, deadline sales protect the privacy of the buyers. You submit your sealed offer to the seller’s salesperson, who is required to hold it securely until it is presented to the seller.

Does the seller have to accept the highest offer?

No, the seller can accept or reject any offer they wish. For example, a lower offer with fewer conditions may be more attractive as it gives them more certainty about a potential sale than a higher offer with more conditions.

What happens if there is more than one offer?

When two or more offers are received for a property sale, each potential purchaser is advised that this is the situation and they are given an opportunity to review their offer and sign a form in acknowledgement of the multiple offer. The process is designed for transparency – to give all potential buyers an equal opportunity as there may be disappointed people who miss out on the property.

What happens when the offer is accepted?

Once the sale and purchase agreement is signed and dated, you will be required to pay a deposit (usually 10% of the agreed purchase price) which is held in the real estate trust account. If for some reason the sale does not become unconditional the deposit is then refunded in full to the purchaser. This contract is legally binding, and therefore neither party can pull out of the transaction once it has been signed, unless one or more of the conditions of the contract are not fulfilled.

How do I know how much to offer?

The deadline sale allows you, the buyer, to view the home and then determine the price. We find that some buyers when searching for a property in a particular price range become very familiar with the properties available in their budget and they can often draw on this experience when determining where they see the value of the property. The seller's agent may be able to refer you to homes of a similar price or a similar bracket that we believe are comparable to the property. You may also consider obtaining a Registered Valuation.

Gaining market knowledge

You should gain a good understanding of the market by:

1. Visiting internet property sites such as www.realestate.co.nz, trademe.co.nz and individual agency sites. Most of these have email alerts for properties new to the market.
2. Reading print media, newspapers and specialty property magazines.
3. Learning what different pricing messages on advertised properties mean: NPM, offers, POA, Neg Over, Deadline Sale, Auction, etc.
4. Visiting open homes

Some issues that influence value when comparing similar properties are:

- Location
- School zones
- Overhead tension power lines
- Adjoining properties i.e. commercial use

A seller must disclose any defects known about a property when they list with a licensee salesperson to sell. This is especially relevant to dwellings built in the 1900s that are potentially leaky homes. Due to the recent earthquakes, some sellers in Christchurch obtain and provide the real estate agents with a builder's report, a structural engineer's report and/or a geotechnical report. However, some purchasers prefer to obtain these reports independently.

If you are purchasing a Unit Title, the seller must provide you with a pre-contract disclosure form via the salesperson concerned before entering into an agreement to purchase.

Remember, decoration can easily be changed; upgrading bathrooms and kitchens will be more expensive.

You will be amazed how quickly you will build up knowledge of housing values.