



What Is Gazumping And How To Prevent It Happening To You

Picture the scene.

You've found your dream home - a short stroll to the local schools, close to a leafy park to walk the dog and on a quiet residential street with the best coffee in town right on the corner.

You've agreed a price with the seller. You've organized your deposit. And you've arranged a building and pest inspection.

You're on your way to the bank to finalise the paperwork for your loan approval when you get a call from the real estate agent. What's that? The seller has decided to go with a higher offer.

'But...but...how is this even possible?' you think as your dream home slowly fades before your eyes.

You've just been gazumped and unless you have deep pockets to make a counter offer, there's not much you can do except lick your wounds and start looking all over again...and possibly with less money in the kitty after incurring expenses.

With the property market going gangbusters over the past couple of years (although likely to slow down), gazumping is something you might want to take steps to avoid.

What is gazumping?

gazump /gə'zʌmp/ verb: To make a higher offer for a house than (someone whose offer has already been accepted by the seller) and thus succeed in acquiring the property.

The practice of gazumping - being outbid by a higher offer even after you've agreed a price - may not seem entirely ethical or fair but it is legal in most parts of Australia.

A property sale isn't final until both parties have signed and exchanged contracts. In most suburbs of Sydney and Melbourne this tends to happen at an auction so gazumping isn't as much of an issue. But in other parts of Australia where private sales are more common, there's more chance of an unwelcome surprise.

This period between agreeing to a sale and exchanging contracts is a bit of a legal grey area but the main thing to remember is the sale isn't legally binding (in most parts of Australia) until both parties have signed on the dotted line.

It doesn't matter whether the offer is verbal or written...it's still just an offer and without a signed contract the seller can legally walk away (regulations do vary across Australia so it's worth checking with your solicitor or conveyancer about how things work in your home state or territory).

Real estate agents are legally required to let the seller know about any offer. So unfortunately if another buyer pops up with deeper pockets, the agent needs to inform the seller, who's then under no obligation to stick to your agreement without a signed contract.

Six ways to avoid being gazumped

The key to avoid being gazumped is preparation. If you can get as many of your ducks in a row as possible beforehand, you can move quickly and reduce your chances of an unexpected phone call.

1. Look for properties that are being sold at auction - there's usually no cooling-off period and you're locked in. The seller can't back out...but nor can the buyer. At an auction you sign a contract on the day so you can't be gazumped. The buyer signs, the seller signs and you exchange contracts. Job done.
2. Obtain pre-approval for your home loan and make sure you have your deposit available to avoid delays.
3. Get your building and pest inspections done quickly.
4. Work with your solicitor or conveyancer to expedite the contracts. The sooner you get them signed, the less chance of a higher offer coming in.
5. Arrange an exclusivity arrangement with your solicitor to take the house off the market - you'll pay a bit extra but it could give you peace of mind.
6. And if all else fails and another buyer swoops...increase your offer. At the end of the day, money talks.

Source: AMP

If you have any questions around purchasing property and what options would best suit your circumstances, give Shaun or Vicky a call on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon).



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