

# Multiple offers being received on a property



12 March 2015

Well priced homes are turning around within a few weeks of listing.

“So while we are buoyed by the increase in market activity this doesn't mean that agents can rest on their laurels and forget about service delivery. Estate agents as a profession need to be educated and trained to deliver a professional service to their clients”

During the recessionary years of 2008 - 2011, some residential properties were taking as long as six to nine months to sell, says Carol Reynolds, Pam Golding Properties area principal in Durban, Durban North and La Lucia. “In 2012 the market started showing signs of recovery, and this year (2013) we are beginning to feel a change of pace in the marketplace, as well priced homes are turning around within a few weeks of listing.”

She says generally the price band that is particularly active is the R500 000 – R3 000 000 bracket, in which many homes are selling within the first week of listing, depending on area demand. “We are noticing a resurgence of interest along the beachfront with foreign investor buyers re-entering the market. In addition, sought-after residential hubs like Morningside, Glenwood, Berea, Durban North and La Lucia are active in the under R3 million price band. In central Durban North, homes are selling within three to five days of listing if they are correctly priced. Over-priced stock is not selling across the board, so despite the reactivation of buyer interest in the residential market, informed buyers know when they are paying too much and they are astute enough to avoid over-paying for property.

“However, where a property has entered the market at the correct value, we are finding that not only are we selling these homes within a few weeks or even days, we are also often receiving back-up offers on these properties. As many as 30 percent of our sales are attracting multiple offers - with some buyers literally queuing to acquire their dream homes. Multiple offers are a wonderful safeguard for sellers, because the lending climate is still conservative, and there is still a high decline rate on bonds, so writing in back-up offers affords the seller a safety net. It is however, imperative that agents are fully versed in working with multiple offers, to ensure that the rights of all parties are carefully managed and not impinged upon.”

Reynolds advises that when a back-up offer comes in, it is vital to state in the sale agreement that the said offer is a back-up offer, and therefore will only become effective in the event that the first offer lapses or is cancelled. If the first offer is conditional upon the buyer obtaining a bond (which is normally the case), then the second offer will only kick in if the first purchaser fails to obtain finance within the requisite period, or if the first purchaser does not choose to waive the bond clause and come up with the full purchase price in cash. If the first purchaser accepts a lower bond amount and raises the cash for the balance of purchase price, then his offer will still stand.

She says the issue becomes particularly complex where the first offer is a suspensive sale, subject to the sale of the purchaser's home. In this instance, it is imperative that the clause pertaining to the suspensive sale clearly stipulates the details of the process to be followed by the parties when a second offer is on the table. “Essentially, every suspensive sale should have an out-clause for the seller, so that if he or she receives an unconditional offer, the seller is then able to accept the cleaner deal. In order to do so, the seller will need to place the first purchaser on terms, giving him/her five to seven days to come up with the cash that was supposed to come from the proceeds of his sale, and if the first purchaser is unable to raise the balance of the purchase price, then the seller will be able to accept the second offer and the first deal will fall away.”

Reynolds points out that it is critical to note that the first purchaser cannot be placed on terms unless the second offer is unconditional: ie cash or cash and approved bond. “It would be extremely risky to place a purchaser on terms if the second deal was not secure, as the seller would then run the risk of losing both offers. One other key factor to bear in mind is that once the first purchaser has been placed on notice, it is not sufficient to simply sell his/her first home and fulfil the suspensive condition, the purchaser actually needs to produce the shortfall of funds that will be coming from said sale. Misunderstanding the implications of being placed on notice can leave clients very upset, and so our agents are fully trained to ensure that they are clearly informing their clients of the steps in the process.

“So while we are buoyed by the increase in market activity this doesn't mean that agents can rest on their laurels and forget about service delivery. Estate agents as a profession need to be educated and trained to deliver a professional service to their clients,” concludes Reynolds.

For further information contact Carol Reynolds of **Pam Golding Properties** on 031 2750500 (Durban) or 031 5736000 (Durban North) or email [carol.reynolds@pamgolding.co.za](mailto:carol.reynolds@pamgolding.co.za).