

Cool Buyers in a Hot Market

Across Canada, the real estate market has been steadily heating up in some regions. This produces more buyers than sellers for real estate agents, and several multiple offer situations are routine. This is called a seller's market, and it can be dreadful for a buyer.

The most common hazard for a buyer in a seller's market is to be in a multiple offer situation and get caught in bidding war. With each round of counter offers, the price gets higher and the buyer has to decide between the possibility of overpaying for the property or losing to another buyer.

However, there are other hazards for the buyer in a seller's market, where the risk is not as clear-cut. In order to make the offer more attractive to the seller, a buyer may be tempted to make an offer without any conditions. Conditions are included in an offer to ensure that the buyer is not bound to the Contract unless the buyer:

- Is approved for required financing
- Is satisfied with the results of a property inspection
- Has an opportunity to review and approve all strata title proceedings and financial statements (if the property is a strata unit).

If the buyer is already a homeowner, a condition may additionally be required to ensure the buyer is able to sell their own home prior to being tied to the offer of another house. Depending on the circumstances, there might be other required conditions.

What happens if the buyer chooses to decline the use of these conditions? A buyer should consider the consequence of not being able to complete the transfer. For example, what if the offer is conditional upon-

- Financing: what will happen if the buyer is unable to arrange the financing?
- A property inspection: what if there are material defects that would only be discovered by a professional home inspector?
- Review of financial statements and proceedings (if purchasing a strata property). What if these documents contain evidence that the property has some potentially serious problems?
- Sale of the buyer's property: what if the buyer needs the cash from their current home in order to buy another home?

A careful buyer will ensure any issues that need to be confirmed or investigated are looked after as a condition in the Contract. Once the offer becomes firm (i.e. without any conditions), it is a legal promise by the buyer to complete the transaction.

KENTBRAATEN

Century 21 Fusion

cell | [306.370.2629](tel:306.370.2629)

office | [306.653.8222](tel:306.653.8222)

email | kent.braaten@century21.ca

web | www.kentbraaten.com | www.birchhillsrealestate.com