

Australian Property Investor

Gazumping reduced if NSW vendor disclosure is enforced

Posted on Friday, July 16 2010 at 2:55 AM

If the New South Wales Government pushes mandatory vendor disclosure on building and pest inspections through Parliament, gazumping would taper off and burdening costs on the buyer would be eliminated, says EPS property search director and buyers agent Patrick Bright.

"Often we've agreed to buy a property and while the building and pest inspections were getting done a buyer offering more or even the same price but without the inspections would gazump us and end up with the property," said Bright.

He said if only one person could buy the property, then equally only one pre-purchase inspection report should be required, especially in a fiercely competitive market when a multiple of offers are made.

"The average punter isn't going to pick up faults with the building right away, these changes would offer full transparency and reduce time and money wasted for the buyer."

Bright said the seller would also benefit from vendor disclosure on building and pest inspections as it means less haggling with the buyer on price and if there is a building fault it can be rectified immediately and not left to price negotiation time.

"Often you negotiate a price subject to a building and pest inspection, so if the pre-purchase inspections have already been done then it would speed up the process for the buyer," he said.

"Vendors will attract more buyers if they have a building and pest inspection report already done. It will remove any barriers for buyers."

Canberra is the only capital that already enforces mandatory vendor disclosure.

PRDnationwide Canberra Central real estate agent Jeremy Francis said Canberra vendors even have the option of deferring the pre-purchase inspection report costs until the sale is transacted, so it means no out-of-pocket expenses at the initial stages.

Bright said deferred payment for vendors is an intelligent option for pre-purchase inspection businesses to gain a market edge. It also makes it financially easier for sellers.

While some critics have stated that if the seller is responsible for commissioning the pre-purchase inspections it means they can shop around for the most positive report, Francis said that in Canberra the inspection

indemnities carry across to the new owner so the building inspectors know that if they do anything false or misleading then they're responsible.

NSW Minister for Lands Tony Kelly has just released for review a discussion paper on mandatory vendor disclosure.

Kelly has invited public comment and written submissions and expects to finalise the report by November in time to present it to the Council of Australian Governments when an Australia-wide approach to vendor disclosure is discussed.

For an insight into what can happen when vendors don't disclose all see:

www.apimagazine.com.au/blog/2010/05/buyer-beware-should-pre-purchase-building-inspection-reports-be-mandatory/