



the final word - JOHN JOHNSTON CEO

'CAVEAT VENDITOR' - VENDOR BEWARE

The mounting toll of victims from the expanding Global Financial Crisis and sharemarket collapse is no longer news.

The fallout from the crisis has impacted particularly hard on the business community with a combination of a credit crisis, depressed retail environment and unwelcome margin calls from falling share values precipitating an unwelcome, however slight, increase in the number of stressed property sales.

We in Brisbane are fortunate that from a residential property perspective, we appear to be riding out the crisis particularly well. A subjective look at our overall residential property situation may indeed confirm that residential real estate won't just emerge from the current financial squeeze relatively unscathed but may further cement its place as the only true recession proof investment.

Unfortunately any hint of 'blood in the water' and sharks appear. When they emerge from the dark depths they are not always spotted immediately as they take great care to camouflage themselves well. They are out now. A pack made up of the usual suspects. Individuals of a certain character skilled at living off the vulnerability of others. Given the size of the potential financial kill, property is viewed as a very plump target.

Don't get me wrong, I am not describing genuine buyers out there looking for a genuine good deal in the current quieter market when I refer to these predatory sharks. Anything but. Someone in the hunt for a bargain in any market is, rightly or wrongly, operations normal. I am alluding to the scourges of our society who will go to any extreme, including criminal, to take advantage of financial vulnerability. The current tougher real estate environment has lured one such predator, the Bogus Buyer, out of a long period of hibernation.

The Bogus Buyer specialises in preying on sellers who are having a tough time, or at least a tougher time than usual, selling their property.

Typically, they pose as very cashed up buyers with wads of cash to splash out on a dream home which they need to buy in a hurry. Understandably in the current quieter environment, to an unsuspecting vendor and unseasoned agent, the cleverly disguised Bogus Buyer can appear as absolute 'manna from heaven' as they circle around systematically 'feeling out' the market for a victim.

When they inevitably come upon a luckless victim, they attack with speed. They move in with a financially mind-blowing offer to buy the property (often for at least the full price). But with a range of conditions and here's the rub....

Conditions such as:

- A minimum 6 month settlement period (but more usually 12 months or more - the longer the better in the eyes of the bogus buyer)
- A nil or very small deposit, or a large deposit of which only a minimal amount is 'for very genuine reasons' able to be provided upfront (with the balance to be paid at some time well down the track - and often just prior to the proposed settlement date)
- A requirement that they be allowed to take up occupancy of the home being purchased, typically within a week or two of the contract being executed, and always long prior to settlement. This requirement is always at very minimal or nil financial cost to the bogus buyer (reconciled by the fact that they are paying a premium price so a rental payment on top wouldn't be inappropriate)
- An agreement to pay still more should the vendor leave all the furniture, garden equipment, pool equipment etc.

Any seller who cannot see the flashing warning signs over the size of the dollar signs, signs a deal, and their fate is sealed.

Typically what happens from there is the buyer takes up residency, does not settle on time, in fact does not settle at all, not even after having been granted a series of frustrating extensions to settle from an increasingly exasperated vendor. The vendor ends up with not just nothing, but infinitely less, including but not limited to... the legal costs in trying to get the fraud(s) out of the property, the opportunity cost lost, the costs of remarketing the property, the cost of bringing the property back up to sale standard (bogus buyers have never shown themselves to be terribly house proud), replacement cost of missing furniture, garden equipment etc, and the untold emotional damage wrought in the process.

What starts out as a vendors dream ends up a full blown disaster.

'Caveat Venditor' in the current market is at least as important as 'Caveat Emptor' (buyer beware), and that applies to your choice of agent too!But that's a story for another time!