

Deposits – when buying and selling property

By law as a buyer you aren't legally required to pay a deposit however most sellers are not interested in an agreement without the commitment of a deposit from the purchaser as it shows good faith to follow through and settle.

The standard expectation is 10% of the purchase price (10% of \$1,000,000 = \$100,000) however varying percentages can be paid.

Sometimes set amounts will be accepted by the seller e.g. \$50,000 but this may affect the seller's options going forward if they wish to buy. I.e. they may need the money for their next purchase to be able to move on.

If you are faced with competition to buy a property it could be advisable to offer to pay more deposit as it shows more commitment.

The deposit can be paid at the time you are making your offer and when faced with competition it may be good to offer this, or it can be paid upon unconditional date. Un-conditional date is when all conditions for the purchaser are satisfied and the purchaser accepts to purchase the property and the property is SOLD in effect.

Once paid, the deposit must sit by law in either the Real Estate agents trust account or sometimes the solicitors trust account which is non-interest bearing. The deposit less any sellers costs are then paid to the seller or their solicitor on the 11th working day from receipt.

Important: After a property is sold in the unlikely event that the buyers do not settle the property i.e. Pay the full balance price and take possession of the property then the deposit paid by the buyer is NOT refunded to the buyer.

If you are a buyer wanting to buy at auction you will need to have your deposit ready to be paid on auction day. On the fall of the hammer as a purchaser you will have purchased unconditionally and therefore will need to pay the deposit to the real estate agents trust account.

Prior to an auction you can seek a variation to the agreement through the agent. A variation could be a request of the vendor to accept different deposit amount by % or maybe a set dollar figure. If the vendor agrees to this a document is signed by all parties and the buyer can bid at auction knowing that if they are successful they will have the varied terms agreed on as part of their contract.

Deposits are an important part of your selling and purchasing process so consideration needs to be given when you are a buyer as to the availability of your funds before you proceed. As a seller you will need to consider what amount you feel is sufficient for you to secure in order to sell your property.



The image is a dark blue rectangular banner. On the left side, there is a photograph of a woman with short brown hair, wearing a white blazer, smiling. The background of the photo shows a sunset over a beach with the text 'Big on the Coast!' written in a cursive font. To the right of the photo, the name 'Rosalind' is written in a large, white, sans-serif font. Below the name, the contact information is listed in white text: 'M 021 243 1153 B 09 426 5911', 'rosalind.warren@bayleys.co.nz', and 'www.rosalind.co.nz'. In the bottom right corner of the banner, there is a white rectangular box with the word 'BAYLEYS' in blue, bold, uppercase letters.

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