# Buying and selling at the same time

### Squirrel

## Managing the juggle of buying and selling simultaneously.

Upsizing to a new property is exciting, but it's not without its challenges. Navigating both a purchase and a sale at the same time requires careful planning. If you're looking to make a move, here are some tips to help navigate the process smoothly.

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#### Where to begin

#### 1. Get a market appraisal for your current property

Work with a local real estate agent to get a current market appraisal. This gives you an estimate of your property's value and helps you to calculate your net sale proceeds and deposit for your next purchase:

Sale Price - Mortgage Owing - Agent Fees - Break Fees/Cash Clawback = Net Sale Proceeds

(Note: Cash clawback may apply if the sale occurs within your cashback period and break fees may apply if you're breaking a fixed-term interest rate).

#### 2. Apply for conditional pre-approval

Secure loan pre-approval from your bank, based on the estimated proceeds from your property sale. By getting pre-approval, you'll not only have a clear idea of your budget but also gain more confidence to enter the market. It may even help make your offers more attractive to sellers. Pre-approval is usually conditional on the sale of your current property and the bank's assessment of the new home you wish to purchase.

#### 3. Start house hunting or list your property for sale

Once pre-approved, you can start house hunting (on a conditional basis) and prepare to list your property for sale. If you're house hunting already, you'll now know the price range you're working with, giving you confidence to make conditional offers on your next property.

#### Buying options once pre-approved

You now have two main choices for securing your next property:

#### 1. Offer subject to sale

Make an offer on a new property contingent on selling your current property. This specifies the amount you need to sell your property for in order to proceed. Keep in mind that sellers may prefer buyers without this condition, especially for highly desirable properties, so you might get pushed out of the sale if another cashed-up buyer comes along. Properties going to auction are also not going to be an option for you until you're sold up.

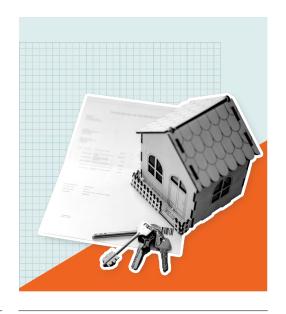
#### 2. Sell first

Selling your current property first puts you in a stronger position as a cash buyer. This can make your offers more attractive and allow you to move quickly when purchasing as well as giving you the freedom to bid at auction. If you're selling first, negotiate a long settlement date (ideally 3 months) with your buyers to give yourself ample time to find your next home. You could also include a clause in your sale and purchase agreement that allows the settlement date to be moved forward by mutual agreement. This can help align settlement dates if your purchase settles earlier, avoiding the need for bridging finance.



If your financial position allows (e.g., significant equity in your current property or strong income), you could consider keeping your existing property as a rental instead of selling it. This approach requires formal pre-approval for a new property purchase and a rental appraisal for your current property to confirm its rental income potential.

By weighing up both options, you can decide whether buying and selling simultaneously or retaining your current property is the best option for you.



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#### **Coordinating settlement dates**

Settlement dates are a critical part of managing the sale and purchase simultaneously. Here's how to handle it like a pro:

#### Longer settlement window

If possible, negotiate a longer settlement period (ideally 3 months) when selling your property. This gives you more time to find and secure a new home without feeling rushed or finding yourself homeless for a period.

#### Align settlement dates

Aim to settle the sale of your current property and the purchase of your new one on the same day to avoid temporary accommodation or storage costs.

#### Switch of security

If settlement dates align, your lender may offer a "switch of security". This simplifies the process by transferring the mortgage from your current property to the new one.

If you are unable to align the settlement dates, and the property you're buying is settling before the property you're selling, bridging finance may be needed. Bridging can be costly and is subject to strict bank criteria, so it's best to avoid it if possible.

### **Managing deposits**

#### Request a 10% deposit from your buyer

When selling your property, request the standard 10% deposit from your buyer. This deposit is normally held in a trust account for 10 working days before being transferred to your lawyer. You can request an early release of these funds so you can use them toward purchasing your new property if you need to.

#### Negotiate a smaller deposit for your new property

When purchasing, try to negotiate a smaller deposit with the seller - around 5%. This can be arranged before you bid at auction too. If you don't have access to the deposit from your own sale yet, you can use your savings or funds from a revolving credit facility. If you're purchasing at auction, ensure you have access to deposit funds for the place you're buying immediately.

#### Talk to your adviser

Buying and selling at the same time can feel like a balancing act, but with careful planning and the right support, you'll get through it.

Your Squirrel adviser is here to help make your buying and selling journey as seamless as possible.

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#### **Additional tips**

#### Organise a revolving credit buffer

Keep funds in a revolving credit facility. This provides flexibility for a deposit or to cover unexpected costs, like building inspections and home improvements to get your property market-ready.

#### Get a lawyer early

Keep your solicitor informed so they can ensure all buying and selling conditions are met and that the settlement processes run smoothly.

#### Don't forget to secure insurance and complete due diligence

Arrange insurance for your new property early and complete all necessary due diligence steps, such as having your lawyer review the LIM report and confirming a satisfactory builder's inspection.

