

Real Estate “Cooling Off” Period Makes You Even Less “Cool”

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Based on recent newspaper reports, it was learnt that a “cooling off period” is being considered by the authorities for application in real estate transactions. Subject to details, a **“cooling off period” refers to an arrangement through which real estate purchasers can walk away from a (signed) sale and purchase agreement within a certain specified timeframe.** They can also get back their deposits too. The mechanism is adopted in some places such as Canada yet it is limited to pre-sale residential condominiums (similar to the so-called strata-title arrangement here in Hong Kong).

Understandably, there were **objections from the real estate industry** such as developers and agents, and one reason would be that the arrangement **increases their business risks.** For instance, currently a real estate developer can “book” a certain transaction right after it is done. With a “cooling off” arrangement, the transaction cannot be confirmed until the period has elapsed. Should there be any major event which affects sentiment negatively say after a marketing campaign but before most cooling off periods are up, massive “walk-outs” are not unrealistic.

The author declares to be a member of the real estate industry and is inclined towards objecting to this arrangement, but less so from a “business becomes more difficult” viewpoint. The arrangement should not be adopted because it is unlikely to “save” the emotional / irrational / lazy whatever purchasers from choosing a less than desirable property. In fact it is likely to induce such purchasers to jump from unit to unit and possibly end up with the “wrong” fit anyway i.e. they become even **LESS COOL.** On the other hand and this is even more important, this would only encourage the [originally] serious / careful / rational / responsible etc purchasers to behave less so [why not buy several units now and THEN pick and choose the best one later]. They also become **LESS COOL.** Some say it may even lead to speculators doing exactly that and if one wants to prevent this from happening, more regulations may be needed = more cumbersome administration = higher costs etc.

If one agrees that a **modern advanced sophisticated society** is to be encouraged or even is a necessity to maintain overall economic competitiveness globally, **encouraging people to behave less responsibly (and using their brains less) is NOT the way to achieve it.** Many of the North American real estate brokerage / marketing arrangements can be very inspirational, but cooling off period is NOT one of them.