

# TIPS AND TRICKS IN REAL ESTATE

**CORPORATE LAW**  
**TRANSACTIONS  
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**REAL ESTATE**  
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**HLADKY.LEGAL**  
**advokátní kancelář s.r.o.**

Orlí 483/1, 602 00 Brno  
+420 734 680 390 | [office@hladky.legal](mailto:office@hladky.legal)

**hladky.legal**

## TIPS AND TRICKS IN REAL ESTATE

### HOW DOES IT WORK

Buying or selling real estate is something you do normally once in your life. Nobody can truly be a professional, unless being a serial real estate investor. You should be prepared for a number of tricks that real estate agents normally employ to bend your lifetime transaction to their own ends.

#### ● **BEWARE OF REAL ESTATE AGENTS – ASK WHOM THEY REPRESENT AND WHO PAYS THEIR FEE**

Although not entirely necessary, the real estate agents are involved in majority of transactions, both sales and leases. Mostly, they tend to present themselves to mediate between the parties. Beware – they receive the engagement only from one of the parties, usually the owner of the property. Some of the more devious agencies, however, sign the engagement letter with both parties: with the owner to offer his property to receive the commission and with the potential buyer or tenant to provide exclusivity and receive the fee. Therefore, always ask whom they represent and from whom do they receive the fee. Do not forget to take this information into account in later negotiations.

#### ● **BEWARE OF RESERVATION AGREEMENT – CONSIDER THE RISK OF LOSING THE OPPORTUNITY AGAINST THE RISK OF LOSING YOUR MONEY**

Real estate agents often manipulate the interested party into signing reservation agreement immediately upon the first meeting. This agreement serves to provide the interested party an exclusivity period for negotiation and make them to pay the reservation fee. The reservation fee usually serves to cover the real estate agent's fee. Sometimes, it is later formally set off against the purchase price. The reservation fee is often perceived as non-refundable unless the conclusion of the contract is not undoubtedly frustrated by the other party. You need not to

accept this. Beware that the other party and the real estate agent may try to impose the entire wording of the contract upon you and may not be willing to negotiate the terms if they know you risk the reservation fee.

Therefore, pay attention to the wording of the reservation agreement. We recommend asking for the draft of the final contract to be executed even before signing of the reservation agreement. Alternatively, you may implement the most important terms already into the reservation agreement. The subject of the contract and the price is not enough.

Real estate agents or the property owners may try to convince you to act instantly by pointing out to other interested parties. Always consider the risk of losing this opportunity against the risk of losing your money.

#### ● **BEWARE OF LEGAL SERVICES INCLUDED – BETTER HIRE YOUR OWN LAWYER**

Real estate agencies often claim that all legal services are included in their fee. Their lawyers only prepare standard contract and usually do not negotiate on your behalf and do not specifically represent your interests. If you seek for real legal advice on the strategy and help with negotiations, hire your own lawyer.

#### ● **BEWARE OF FINANCIAL SERVICES INCLUDED – CHECK THE ALTERNATIVES**

Real estate agencies and developers often have special arrangements with banks. They promote their services as one-stop-shop. They may try to convince you to take the financing from them either as a package together with the property. Although it might be administratively easier and smoother, consider also other financing possibilities, e.g. from your own bank or an independent mortgage agent. You may be able to get more favourable offer.