

Real Estate News

Information to Help You When Buying or Selling

Issue 046



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Flawed real estate strategies

Article by Andrew Trim, author of *Real Estate Dangers*

FALSE PRICE STRATEGIES

False price strategies include both the 'offers above' method (illegal in some states) and any of the price-range strategies. There are many variations of these strategies: 'offers from \$500,000 plus', 'offers above', 'offers between', price range or even price indication. All variations work on the assumption that the owner may not accept the lowest price quoted but will consider a figure above this amount.

In 2016, New South Wales passed laws prohibiting the use of the 'offers above' or any similar method, with Victoria following suit in the same year.

This legislation was enacted to protect buyers from investing time, money and energy into a property they can't afford. By advertising a price lower than market

value with 'offers above', buyers are encouraged to enquire. However, being far below what the seller will accept makes this advertised price false and misleading. Many buyers have lost money believing an advertised price.

As of the beginning of 2018, all other states still permit this form of marketing. However, even in New South Wales and Victoria, the legislation was not designed to protect the seller against an inflated price suggested by an agent.

As with all pricing methods that don't use a stated asking price, the focus of the buyer and the hopes of the seller diverge. The buyer expected a bargain, while the seller is encouraged to use this method in the hope that there is no cap on an eventual selling price.

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Flawed real estate strategies



Testimonial

“Good fortune allowed us to buy a house in Glenorchy. We chose to rent until deciding our future. This is where Edwards Windsor Real Estate comes in. The company’s Senior Residential Asset Manager Rebecca Such, managed the tenancy for the best part of three years. So well maintained is the property, we decided to occupy it for the next year. Good luck, good management and good fortune equals a lucky trifecta. And if we decide to sell, we will engage Jane Hyland of Edwards Windsor Real Estate. There is simply no substitute for expertise. When in Tasmania, go with the best. I endorse this endorsement!”

Henry Johnston

This strategy sounds plausible to a seller, but it’s deceptive and has hidden dangers that cost you money without you even realising it.

NO-PRICE STRATEGIES

‘No-price’ strategies include ‘for sale by negotiation’, ‘for sale by tender’ and ‘auction’. Most real estate advertising websites also offer a ‘contact agent’ option.

The effect of no price marketing on buyer enquiry is heavily influenced by market conditions.

In a stable or falling market where supply outstrips demand, enquiry is generally lower with no price marketing. If a potential buyer enquires, inspects the property and decides to make an offer, it is seldom at or above market value. The lack of advertised price legitimises any low offer made.

However, in rising market conditions the effect on enquiry is minimal. Conditions that force buyers to compete for property, such as the booming market seen in Sydney and Melbourne in recent years, oblige buyers to move quickly and enquire on any suitable property regardless of advertising method.

While agents often claim credit, it is the increased demand in the market that is driving the enquiry levels, rather than the lack of an advertised price.

Prior to advertising a listed price, some agents are successfully using a brief exploration period with no price. With a trusted agent, and under the right market conditions, this can work well.

However, most no-price strategies are built on the premise of inflating the estimated selling price at the listing, then educating the seller down on price. All no price strategies are particularly susceptible to the online marketing and pricing deception.

PUBLIC AUCTION – SELLERS

Public auction is the most deceptive method used to sell property in Australia.

For the agent, public auctions are all about advertising revenue and personal profile. Public auctions are promoted widely throughout the real estate industry and major media organisations. You can’t have a public auction without the significant spend that accompanies it – namely the vendor-paid marketing campaign.

The media’s attitude towards public auction was revealed in a capital city daily. The headline ran ‘Auction Results’ and reported 117 sales. However, of the 117 sales reported only six were sold at auction, three before and one after auction day, while the remaining were sold by private treaty. With public auctions, the deception is universal.

Public auctions are sold to the real estate consumer as a transparent system of sale. Each buyer gets to compare their bid to those of opposing bidders and is given the option of raising their bid, providing the opportunity to be the highest bidder and eventual buyer. It appears as though the seller gets competitive bidding by all buyers.

However, does the reality of a public auction meet the sales pitch? Is it a transparent system? Does the seller get competitive bidding?

No.

For starters, the public auction system uses comparative bidding, not competitive bidding. Here’s an example of competitive bidding so you can see the difference between the two.

Example:

When auctioning the credits for its Direct Action Plan (which was its alternative to the opposition’s carbon tax) in 2013, the federal government didn’t use the public auction system of ‘transparent bids’. It used a private auction system, each bid from a potential buyer was kept private, with no comparisons allowed between buyers. That meant each bidder had to submit their highest offer. Some business interests accused the government of a lack of transparency, but it was fair to the seller. Rather than comparing bids, they had to compete fairly, maximising the price for the seller, in this case the Australian taxpayer. Transparency for the buyer does not always generate the best outcome for the seller.

In a real estate transaction, the much-touted transparency of a public auction will only ever benefit the buyer, and even then, only on auction day. By having the capacity to compare bids, the eventual buyer will rarely pay their maximum. They simply pay one bid more than the second highest bidder to become the successful buyer. Thus, the seller rarely achieves a sale at the highest price.

How to Make the Decision to Sell!



How do you know when you should sell your property?

Although you may not be in the market to sell right now, it pays to educate yourself early on how to obtain the best price for your property and the best time to sell.

This article will give you advice and tips on how to make the sometimes challenging decision to sell your property.

1. IT'S TIME FOR A CHANGE

Change can generate mixed feelings. Depending on the type of change, you may be excited and ready for a new experience, or it may make you feel unsure about the future. Being prepared for change plays a big part in the decision to sell your property.

Changes may include:

- Your family is growing and you need a bigger property
- Your children have left the nest and your property is now too big and difficult to maintain
- Your street or suburb is changing due to development

- You've moved jobs and transport is a challenge
- You want a lifestyle change

Whatever the change, it is important to consider the influence these changes will have on your decision to sell and the potential impact on the sale price.

2. MARKET CONDITIONS MAY BE JUST RIGHT

When considering selling your property, local knowledge and market conditions are extremely important in ensuring a successful sale and ensuring you get the right price.

A strong market is the perfect time to downsize to a smaller, more affordable property. You can get the benefit of a higher price for your existing property and be in a stronger position to make an offer on the property you want.

A strong market can also mean there are less properties available, so your property is likely to sell faster. Faster transactions means less time is spent on the property merry-go-round and more

time on the things that matter to you.

If you are wanting to upsize to a larger property, a slower market may be ideal as the price difference between your current property and future property may be minimised.

3. FINANCIAL FACTORS

While you may not be ready for a change, or the market conditions may not be ideal, the third factor to consider when thinking about selling is your financial position.

The value of your property may have increased (due to renovations, community growth, local development or market conditions) and selling may be a great option to capitalise on your investment and consider alternatives.

Even if you are not ready to sell your property, it is important to have a trusted and professional agent on your side, as you never know when you may decide to sell.

Season's Greetings

On behalf of all the Management & Staff at
Edwards Windsor
 we would like to wish you and your loved ones
a Merry Christmas and a safe and prosperous New Year.

You may have noticed a change in the branding of this newsletter. The current branding has been around for 16 years.

After 35 years in business, Edwards Windsor will launch an updated brand in January 2020.



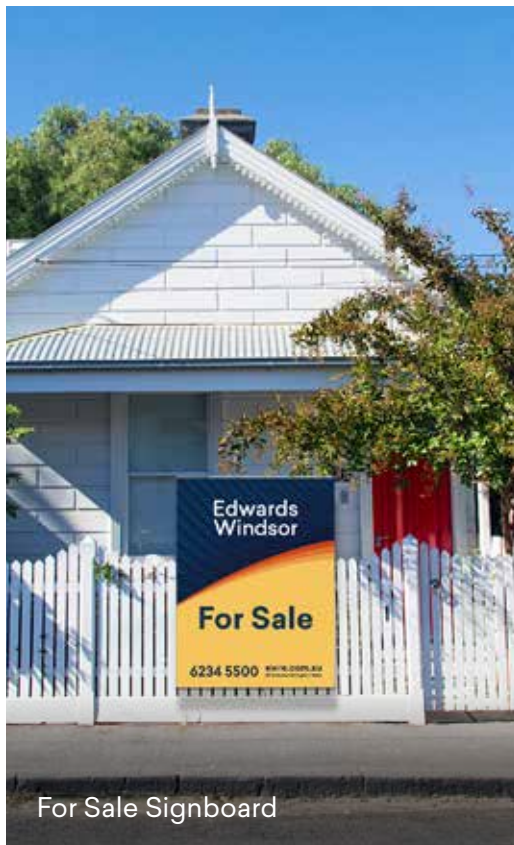
New Branding Logo



Car Signage



Property Magazine



For Sale Signboard

January

Here are few examples of our new visual identity

2020