

# RealEstateNews

INFORMATION TO HELP YOU WHEN BUYING OR SELLING | Issue 043 |

## Renovate to sell

### Adding value vs overcapitalising

by Peter O'Malley, author of *Inside Real Estate*

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Looking to Rent Your Rental Property?

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When it comes time to sell, many face the difficult to answer question – what should we do before putting the home on the market?

It is a challenge trying to work out what improvements will add value above and beyond the cost of the improvements. Will the buyers respond favourably to the proposed improvements? What is it that buyers are looking for?

When it comes to preparing a property for the market, there is not one right answer on what work is appropriate. It is very much a case by case basis. However, it pays handsomely to be aware of some certain facts.

### Investment or Cost

Once the decision to sell has been made, all money that you spend on the property should be treated as an investment. We all invest to make a profit, so any money that you put in to the property needs to become a profitable investment. Simple.

A good rule of thumb is to look for \$1.50 in extra value on the property for every \$1 dollar you invest. Where it derails is when sellers invest \$50,000 of works into a property and the works end up adding \$50,000 to the final sale price. In this instance, the \$50,000 investment returned 0%. When you consider

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# Five reasons why using a good agent is a smart decision versus selling yourself

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

Selling your home is one of the biggest financial decisions you'll make, so it's important to do it correctly. While it can be tempting to sell your house without an agent, saving yourself the fees, it's important to recognise the advantages you have if you choose a good agent instead.

## Time

Selling a home can be a lengthy process. It can take many arduous hours to sell a home – free time an average person doesn't have. Can you afford to take time off work to show prospective buyers through your home?

Can you answer your phone whenever it rings to answer questions? If not, good buyers will be lost.

## Stress

Selling your home comes with its own set of protocols and guidelines which as a seller you are required by law to follow. This quickly becomes a complicated process, particularly if you've never sold a house before. While you can use a solicitor's services to assist with contracts and paperwork, other complications may occur during the sales process that will result in a headache. If you're not confident about selling your home, it's worth saving the stress and seeking assistance from a professional salesperson.

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## You may not price your home correctly

If you've resided in your home for a period of time, it's likely you would have formed an emotional attachment to your home. While completely natural, it can cloud your judgement in regards to what your home is worth. This can lead to your home being overpriced and

consequently receiving no enquiries and resulting in a longer time on market and a damaging digital footprint.

## You don't have the knowledge, skills or contacts that a good salesperson has

As with any profession, real estate comes with its own set of knowledge and skills. A good salesperson knows how to effectively market your property to achieve the highest price as well as have in-depth knowledge of the local market and the industry itself. A good salesperson is highly skilled in negotiation and will guide you along the path to achieve a the best market price for your property. Many good salespeople have a network of contacts, such as enquiry logs, email marketing lists and contact databases.

## You may sell your home for less

While you may save money on fees, selling without an agent can result in an overall lower profit in your pocket. Some prospective buyers will intentionally offer you a lower price as they know the seller doesn't have an agent to negotiate on their behalf. They may also offer you a lower price as they know you aren't paying any commission – the buyer may want to participate in the savings. ■

## LETTER FROM EDITOR

Welcome to the latest edition of Real Estate News.

When people think about selling a property they often decide to finish off all those little jobs that they never finished and make improvements. This is often in the belief that it will increase the value of the property over and above the cost of improvements. However, this is not always the case. An article to help navigate adding value versus overcapitalising leads this month's newsletter.

Once you have decided to sell a property you may wish to attempt the sale yourself. Some reasons why you might engage an agent rather than undertake the selling yourself is also included.

The key to choosing a good agent, in a profession that has a low barrier to entry, is to not treat the decision as if you are buying a commodity where the only differentiation is price. Choose a proven negotiator.

Ask the agent to provide evidence of their negotiation skills, tactics and strategies. Everyone will tell you they are the best, but can they prove it?

Until next time.

Colin Fulton

**SECURE  
YOUR  
FUTURE**

*"Your dreams don't work unless you do".*

John C. Maxwell

**The first few months of this year have flown by and we are already well into 2019.**

We sincerely hope you are on your way to achieving all of your 2019 goals.

If you plan to sell your home or investment property in 2019, we would love to help you achieve the highest possible return on your investment.

Although it's already April, now is the time to get started!

For a free market appraisal and advice on how to achieve the maximum sales price on your property, contact **Edwards Windsor Real Estate** today on **6234 5500**.

the time effort and energy in managing the works, the real return is more likely to be negative.

When it comes time to preparing a property for the market, many sellers simply raise the cost of the house by spending \$1 to get \$1 extra on the sale price.

To spend \$30,000 on a new kitchen that adds \$30,000 to the final selling price may not be worth the time, effort and risk. It may make you feel better about selling your property for more, but did it really make the sale more profitable?

Ask yourself, are the proposed works an investment in the property or a cost?

## What do buyers want?

Another trick with renovating for the market is anticipating what buyers want. Again, there is not one right answer. Beauty is in the eye of the beholder. What attracts one buyer will repel another.

Many sellers have made the mistake of renovating a kitchen or bathroom in the wrong place or style or standard. Buyers then feel as though they are paying for a feature that needs to be replaced. This in turn causes the buyer to decline the property altogether or make a lower offer to compensate for the replacement works. This potentially makes the renovations a total write off.

A common example is when the bathroom at the back of the house is renovated. Buyer preference is for open plan at the rear of the property. If you renovate a bathroom at the rear of the property, the brand new bathroom can be a major turn-off to buyers.

In this instance, the buyers would have been more interested if the original un-renovated bathroom was in place and the sale price was lower by the same cost as the new bathroom. Then the buyer does not feel as though they are paying for a misplaced bathroom.

One of the keys when deciding upon works is to renovate towards what buyers want, not what you like.

It pays to speak with a few people for ideas on what works are prudent and necessary before going on the market.

Interior decorators, stylists and estate agents can all offer valuable insights on what will benefit the sale and what won't. Just remember, increasing the sale price does not mean increasing the profit.

## When to spend

There are many times and situations where spending money on a property can create a profitable outcome for the sellers. The main reason being that buyers tend to overestimate the true costs of works and renovations. A buyer is likely to subtract \$20,000 in their mind for works that could cost as little as \$5000.

At the very least, always put a property on the market in the neatest, cleanest and maintained condition that you can. It is common for investment properties to be sold in less than ideal condition. Buyers simply overestimate the cost of getting the property up to standard, potentially leaving the seller out of pocket.

For a reasonable amount, a good handyman can do wonders for your

property prior to the sale campaign commencing.

Also be wary of blind works. If a buyer cannot see the issues a building inspector raises, they are likely to overestimate the true costs.

During the crucial negotiations stages, buyers are particularly nervous around roof issues, sub-floor issues and access, rising damp and plumbing. The building inspector is being paid by the purchaser for a report on these areas of the property. They are blind areas that a purchaser is unlikely to access, relying on the inspector's report instead. If the report comes back negatively, it can hamper the seller's negotiation position. It is usually better to address issues upfront than get walloped during negotiations on something that is simple to fix.

There is no great science in working out what works are worthwhile before going on the market. Take your time and let commonsense guide you with a good sprinkling of opinion from trusted advisers.



*For a reasonable amount, a good handyman can do wonders for your property prior to the sale campaign commencing.*



# Are you looking to rent your investment property?



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## Mark Cobern

From the first meeting, Mark Cobern and his team were fantastic in assisting me with leasing my first rental property. Communication and professionalism were spot on, and I was extremely happy with the quality of the tenant, the rent achieved, and the overall process.

I wouldn't hesitate to recommend Edwards Windsor to any landlord - Mark and his team make the whole process smooth and stress free, while achieving a great outcome.

*Landlord - Hugh Barker*



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