

# Real Estate News

Information to Help You When Buying or Selling

Issue 056

## Are you paying more to reach the same buyers?

### The easiest money in the world to spend is other peoples

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

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When you are selling in a property boom, how much do you need to spend to reach the target market? The answer is a lot less than you think and definitely less than the agent is likely to recommend.

Two symptoms of a booming market are low stock levels and increasing buyer demand. Therefore, active buyers have a smaller selection of property to choose from

which subsequently sees each listing attract more buyers than it normally may.

The pressure is on agents to list enough property to meet the escalating buyer demand and the pressure is on buyers to outbid the competition.

Buyers proactively chase agents looking for off-market listings, pre-market

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# Are you paying more to reach the same buyers?

Edwards  
Windsor

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*The agent has one more strategy up their sleeve.*



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opportunities, and listings in the pipeline.

The above scenario has unfolded throughout 2021.

Given the current market dynamics, it beggars belief that property sellers are asked by real estate agents to pay upfront for advertising campaigns for the sole purpose of (wait for it)... 'finding buyers'.

If you believe this flawed thinking cannot reach any greater absurdity, think again.

As Demtel's Tim Shaw would say, 'but wait, there's more...'

The agent has one more strategy up their sleeve to set the campaign alight. The agent suggests/advises to the vendor they should quote a low price, in order to (drum roll please) 'attract more buyers'.

**If you believe this flawed thinking cannot reach any greater absurdity, think again.**

As a vendor you are being asked to pay thousands of dollars upfront, for the agents to devalue your primary asset right before your eyes.

The same battle weary buyers turn up to the new listings each week, to see the same staged furniture as last week, to hear the same pitch the agent gives at every underquoted house.

In the current market conditions,

there is absolutely no need to pay an agent hard earned money upfront to attract buyers or to quote a low price to fuel the buying frenzy.

The good news is the current market conditions will supply enough buyers in a frenzied state whether you spend (risk) \$10,000 on an advertising campaign or you don't.

**The good news is the current market conditions will supply enough buyers**

In fact, spending the \$10,000 upfront means you are spending more money to reach the same people that were going to turn up anyway.

The true value of the vendor's \$10,000 campaign actually flows to the agent. They use the vendor's marketing dollars to build the firm's profile.

The days of buyers waiting for the local paper and/or real estate agents to release 'this week's listings' is well and truly over. Technology has clearly evolved but not all agents have.

Email, social media, websites, SMS marketing, and data mining can all combine to communicate your property to thousands of prospective buyers within hours of it being listed. At no cost to the vendor.

If the agent is made to spend and risk their own money on the advertising campaign, maybe they wouldn't be so keen to advertise your home for 10% to 20% below the market value.



# The rise of the TOWNHOUSE

## in expensive capital cities



Townhouses have become the goldilocks solution for many buyers during the boom in property prices.

Most market commentary focuses on 'units' and 'house' price performance. Where do townhouses fit in this equation?

In the stats promoted by most research firms, they fall under 'unit dwellings' because many exist on strata title. This generalisation sets up a misread for anyone that categorises a townhouse as simply a unit dwelling.

Recent history has shown that while townhouses may underperform houses, they do outperform apartments/units. Young families have been the main driver of townhouse living.

Townhouses offer them some relief from the exorbitant houses prices yet offer house like benefits and proportions in many cases.

There are some defining differences between apartments and townhouses that help explain this phenomenon.

**Strata levies** – generally speaking, the levies in townhouses are lower than apartments. Most townhouse developments don't

come loaded with the gyms, pools, and elevators that so many modern apartments do.

These lower levies are particularly appealing to young families looking to manage their mortgage and everyday expenses.

**Outdoor space** – townhouses usually offer superior outdoor space and possibly a garden courtyard. Again, this is appealing to young families.

Given the average block size of a house has been shrinking for the past 30 years, many townhouses offer reasonable outdoor space by comparison.

Coupled with kids spending more time on wretched digital devices, the 600 sqm block is not in the same demand as it once was.

Not to mention the additional price that would need to be paid for a backyard the kids are all too reluctant to use.

**Amenities resemble house** – many townhouses may actually offer more amenities than traditional houses. A three-bedroom, one bathroom house in the Inner West of Sydney is likely to sell for more than a three-bedroom,

two-bathroom townhouse that has parking for one or two vehicles.

The modest strata levies are a worthwhile trade-off for many buyers.

**Presence** – a lot of townhouses enjoy street frontage and presence which can help to create a greater sense of independence. Basic issues such as not having to enter and exit the property through common areas is both convenient and appealing in comparison to apartment living.

**Smaller strata** – many townhouse developments tend to be smaller in nature, although many large-scale developments in the last 10 years have incorporated townhouses to meet planning regulations and/or cater to the demand.

Renovating a townhouse may also be considerably easier than an apartment, as there tends to be far less property in common.

Townhouse living is not the answer for everyone. However, they do offer a practical solution for those budget constrained buyers looking to purchase a property within a defined location.



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