

Real Estate News

Information to Help You When Buying or Selling

Issue 062

Horses for courses...

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Selecting the best agent, for the conditions of the day



Some real estate agents can be likened to sports people, in that they have preferred market conditions in which they perform best. Due to the different skill sets required, a good agent in a tough market may not do so well in a booming market and vice versa.

When the market transitions from booming to stagnant, or falling, the same agent still turns up to their same place of employment for work. However, due to the change in market conditions, it is almost as though they have a new job. Different skill sets are now required because they face a different market environment.

As a consumer, you may jump to the conclusion that an agent

needs more skill in a falling market. In a boom 'houses sell themselves,' therefore it must be easier.

However, the longer a boom persists, the more agents are attracted into the industry. So while property is easier to sell once it's listed, winning the listing in a boom is infinitely more difficult because of increased competition.

In a rising market the agent's job is to maximise the sale price. In a falling market, the agent's job is to protect the value of the property.

In order to demonstrate the real estate industry's inability to manage these changes, consider the following service levels. In a boom, sellers are over pampered

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Is Winter a Good Time to Sell?



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As the cooler weather sets in, many people considering going to the market will be faced with a conundrum – sell in winter or wait until spring.

Aside from the practical considerations such as work commitments, school terms and actually being ready to go on the market, the impact of the season on a campaign's success is often misinterpreted.

The winter vs spring debate rolls around every year with predictions of low or no activity during winter and a plethora of new listings ready for the spring market.

There are two points that are accepted wisdom about the selling season. Firstly, there will be a lot of new listings to hit the market in spring that have been held back over winter. Secondly, houses present better in spring than winter.

These two points can cause people to jump to a third, incorrect assumption, that spring is a better time to sell than winter.

Economics trump seasons when it comes to the selling price. If you believe the market conditions will improve later in the year, then it would be sensible to wait. If you assess

the market conditions will worsen, then waiting for better weather and a flowering garden may not be so prudent.

Winter is often under-rated as a selling season. The fact that many competing home sellers hold their properties for the spring often creates a shortage of stock on the market during winter. With stock tightening more than demand during these months, there are clear advantages to the winter property sellers.

Winter is often
under-rated
as a
selling season.

Admittedly, the presentation may not be as good in winter, but does that really matter if the price is right?

If you have been thinking of selling your home this winter, or would simply like to know the likely value of your home in this current market, please contact the team on 03 6234 5500.

and buyers are mistreated with tricks such as under quoting and phone calls not being returned. In a falling market, sellers are often mismanaged, conditioned and mistreated while buyers are over serviced.

Only the best agents are fully competent and technically correct in rising, transitional and falling markets. Therefore, it is crucial for you to be able to identify which agents are fully capable for the type of market you are transacting in.

In a rising market the agent's job is to increase the sale price. In a falling market, the agent's job is to protect the vendor's sale price.

Increasing the sale price in a rising market

In a boom, the market is constantly setting new highs. The house that set a record price last week becomes the minimum price for this week's seller. Agents are usually dealing with situations where they have one home and three to six bidders on it. The game is not a case of 'will it sell?', but more so 'how high will the price go?'

A good agent will have tough conversations with potential buyers. As an agent, it is much easier to have tough conversations with buyers than it is with sellers. Given that sellers pay the listing agent at the end of the day, they are the agent's real clients. This explains why agents prefer rising markets to falling markets. In a falling market, it is not much fun for the agent talking the vendor down in price. Indeed, this is one aspect which drives agents out of the real estate industry.

To ensure you achieve the maximum sale price in a boom, select an agent who talks in terms of high prices. Beware of agents who talk in terms of clearance rates, time on the market, market share and other points which benefit the agent but not you.

Stay clinical when interviewing agents, even if they continue to introduce peripheral benefits. The most common mistake people make when hiring an agent is forgetting to ask the tough



questions before they sign the listing agreement. Generally, it is only after they have signed and realise the tough spot they have put themselves in, that they begin to ask the tough questions. If an agent cannot handle robust questioning before you sign, then most assuredly, they will not be capable of handling a robust negotiation after you sign.

The best agents also have admirable personality traits which hold an all round appeal. They aren't aggressive - they are assertive. They aren't careless - they are empathetic. They aren't ruthless - they are decisive. All of these contradictory elements are at play as the agent works the buyers up in price on the owner's behalf.

Psychology is a huge part of selling real estate, particularly when 'market forces and personal finances' meet 'emotion and logic' head on.

If you are tempted to think a public auction circumvents all of the above, then think again. Auction agents have to convince buyers to continue spending money upfront on due diligence and investing time to merely bid at auction. It may be easy to convince a buyer to bid at auction once or twice, but once they have missed out a few times, often due to the agent underquoting, getting the buyer back to bid again is difficult.

Protecting the sale price in a falling market

Warren Buffett, the CEO of Berkshire Hathaway is renowned as the world's greatest investor. On February 28 2009, the headline screamed 'Warren Buffett loses billions'. The subtitle expanded, 'Berkshire Hathaway drops \$10.9bn in investor's worst year

since 1965'. Yet, during this period of turmoil, Buffett's reputation as an investment guru was not tarnished in the slightest.

The reason being that Buffett was 'outperforming' the broader market in the midst of the worst crash since 1929. On the money markets, the best money managers in falling markets are those that lose the least.

If you were to go looking for a money manager that 'won't lose any money' in the midst of a severe downturn, you are likely to employ an over quoter. Whether it be in real estate or personal finance, the person who you employ to handle your affairs can only operate within current market conditions.

If you employ a real estate agent who promises miracles and boom time results in a falling market, you are headed for a disaster.

In a soft market, you get the reverse symptoms of a boom. Therefore, the agent needs to sell the fundamental value of the property. This is how good agents protect the sale price on behalf of the owner. To suggest that an agent can conjure up a bidding war at market price and deliver a 15% premium during a downturn is fanciful.

The best agents are masters at highlighting and holding value against competing properties. The right agent for the right market will put you on track for the right result. It is really just horses for courses.

This article is an edited extract from the best selling book, *Inside Real Estate*. If you are selling your property and would a complimentary copy, contact Edwards Windsor on 03 6234 5500 today.



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