

TRICKS THAT AGENT'S USE TO INCREASE VENDOR MOTIVATION



If you want above market price for your property, agents have a number of tricks to bring you back into line. Some of these tactics are subtle others are more transparent. Either way, when you know what they are, you stand some chance of protecting yourself.

PRE-AUCTION LOW OFFER If you are expecting a huge price on auction day, a low offer well below the expected price often arises the week before the auction. The agent does not expect the offer to be accepted, it's more a case of causing the vendor to second guess their price expectations and be grateful when the price exceeds the bargain hunter's low ball offer.

In This Issue

THE TRICKY AGENT

Protect yourself from the sneaky tactics used to achieve below market prices

THE UPSIDE TO THE DOWN MARKET

Five opportunities for those willing to act in the current market

FREE GIVEAWAY!!!

We're helping home owners through the daunting sales process by offering great tips in this issue's book giveaway

BRIDGING FINANCE

Is bridging finance one bridge too far away these days?

MOVE THE TENANTS OUT The more financially committed the vendor is during the campaign, the more likely they will accept the highest bid on the day. Encouraging the tenants out in the name of an 'improved presentation' increasing the vendors financial exposure to the campaign.

DEADLINES Sellers are often encouraged to auction as the deadline apparently pressures buyers to act. As the deadline (auction) draws closer, the pressure of the situation subtly shifts from the buyers towards the seller. The buyer can wait for the next property whilst the owner is publicly on the chopping block on auction day. Don't let a reported clearance rate of 80% fool you into a false sense of security. Many properties are withdrawn and/or fail to sell at auction, so the 'result' conveniently goes unreported. Furthermore the agent clearing a property and the vendor achieving the best possible price are separate outcomes.

HIRE FURNITURE When the owner hires designer furniture for 6 weeks, it creates both an expense and a deadline for the vendor

UPSELLING ADVERTISING Agents are addicted to VPA – that stands for Vendor Paid Advertising. Agents often encourage each other in training courses that upfront VPA ensures they get a committed vendor from the start. VPA comes in many forms. In the past it was full page newspaper ads, then it was real estate magazines & flyers and now the latest craze is 'premium package' internet campaigns. If an agent really believes in these advertising methods, ask the agent to carry the cost and risk of the strategy. You may find the agent can quickly deliver a buyer without either of you having to commit to a massive upfront expenditure.

THERE IS AN UPSIDE TO BUYING



286 Kissing Point Road, Ermington sold for \$1,990,000

Property prices are falling, of that there is now little doubt. The prevailing sentiment would have you believe that falling prices are terrible for all concerned. Admittedly, the net result of those trading in a falling property market is probably to the downside. However, there are still plenty of people who manage to improve their position in a falling property market. Understanding and accepting where we are in the property cycle is crucial to trading better and smarter.

Five trading opportunities to those that are prepared to act in the current market.

FIRST HOME BUYERS

First home buyers were locked out of the property market during the boom. At one stage, baby boomers wondered if their children would ever be able to buy into the Sydney market. Now is the best buying opportunity for first home buyers since the GFC in 2008. Sure, property prices were lower in 2008 but mortgage rates were significantly higher.

Every percentage point the market softens by throughout Sydney, means more first home buyers can climb aboard the property ladder. Whether they want to and choose to do so is a secondary point. Some will, some won't. The fact is, first home buyers now have a choice of whether they do or don't enter the Sydney market - where as they were locked out during the latter stages of the boom.

The dwellings that appeal most to first home buyers, inner city apartments and houses in new suburban estates are feeling the brunt of this downturn.



WIDER RANGE OF STOCK

A frustrating symptom of a boom is the lack of availability of dwellings on market. The most desirable properties were the most contested. Many home buyers found themselves securing a property during the boom that felt like a compromise. Winning the bidding war became success in and of itself - with the suitability of the dwelling a secondary consideration. The respective buyers were at least comforted by the fact their new home was 'going up in value'.

Buyers now have a wide range of dwellings on market to choose from. There are some excellent opportunities in the market and the buyer competition is nowhere near as fierce as it was in the boom. To have a generous selection of quality listings to choose from - in a healthy economy with record low interest rates is a buyer's paradise.



UPGRADING IN A DOWN MARKET

The best time to upgrade is when the price gap between your existing dwelling and your desired dwelling begins to narrow. During the boom, your \$1 million home went to \$1.35 million whilst the proposed \$2 million purchase shot up to \$2.7 million. The changeover price went from \$1 million to \$1.35 million. Upgraders should be loving this and taking advantage of this current environment. Be careful of the risks in buying before selling though.

PROPERTY IN A DOWN MARKET!

SMALLER MORTGAGE

Lower purchase price means you pay the bank less each month in mortgage repayments. Most property booms are quelled by the RBA raising interest rates. This downturn has been manufactured by tighter credit conditions. Interest rates are at near record lows and look set to remain there for some time to come.

This will mean, those that qualify for a home loan can buy a home for less than they would have paid 12 months ago and still enjoy record low mortgage rates.

A cheaper house, a smaller mortgage, low mortgage rates and still economical. The major challenge is getting a bank to offer you a mortgage.



SPECULATORS ARE GONE

The property boom went exponential in its last 12 months as speculators drove prices beyond all reason. Many a rational home buyer was blown out of the water by a cashed up fearless speculator. Speculators will be back in the market, but they are out of action for the time being, representing a more rational environment.

Home buyers will buy, even when prices are falling - we all need to live somewhere. A property boom starts with investors and ends with speculators. A property correction starts with speculators and ends with investors.

Once the market bottom outs, speculators will be back. Markets run on fear and greed. Once the fear is done, the greed will return.



Some buyers are waiting for the phone call or the email that announces the bottom of the market. Alas, the town hall bells won't chime and there won't be a public service announcement to call the official bottom of the property market.

If you are looking for a home that will see you through the next 10 or 20 years, there will be both periods of price growth and price decline. Buying in a falling market means you are closer to the next market upswing than if you had bought during a boom.

Economists continually assess the housing market as though it were exclusively an investment. Therefore, they have been largely wrong for 20 years in calling the property market. In the broader financial world, no one buys an investment they know is going to fall in price before it rises. But make no mistake, home buyers who know the house will fall in price before it rises, will still buy the dream home.

Our friends who practice the dismal science (economists) continually overlook the emotion and delight of a home buyer who is buying their own home. Home first, investment a distant second..

TAKE ADVANTAGE OF OUR BOOK GIVEAWAY!

Selling is stressful enough without having a bad agent working for you so we want to help you choose the right agent who can help achieve thousands of dollars more with a fraction of the stress

'Get the *HIGHEST PRICE for Your Property*' shows you how to present your property for sale and gives you tips on how to select, and work with a real estate agent.

Contact **Harcourts West Ryde** now to secure your **FREE - No Charge - No Obligation** copy

BRIDGING FINANCE MAY JUST BE THAT ONE BRIDGE TOO FAR?

The credit tightening by the banks comes in many policy variations.

One of the more interesting areas of tightening is around bridging finance. It would be incorrect to say the product has been banned or become unavailable, but it's fair to say the banks aren't real keen.

The ramification for those looking to buy then sell is they have an unwilling facilitator in the banks. This has seen more people than usual list their home for sale before buying, helping push stock levels to 10 years highs.

“ A bridging loan is when you require finance to purchase a second property with the intention of selling the existing one. A bridging loan is typically an interest only payment home loan with a limited loan term. The extent of the bridging loan is calculated on the equity in your current property. ”

On the one hand, banks hesitancy around bridging finance is assisting in pushing stock levels up. On the other it is potentially saving some people from one of real estate nastiest traps – ‘bought elsewhere, must sell but can't sell.’

During a normal or stronger market, the worry of selling first is the risk of being unable to find a suitable dwelling to purchase. The major risk in the current market is being unable to sell whilst you pay bridging finance on the new home you just bought.

The product is still available, however it is just much more difficult to attain like most finance at present.

The credit squeeze has caused disruption to what was normal business on many levels. Understanding where the potential blockages in the process are ensures you trade better.

The current environment with tight credit conditions and elevated stock levels suggests selling first with a delayed settlement is the best path. The delayed settlement can then be used to purchase a home, avoiding bridging finance altogether.

Harcourts West Ryde



Whether you are looking to Buy or Sell in the Ryde to Parramatta areas, or you're a tenant or landlord just after a second opinion, Harcourts West Ryde offers an experienced and ethically focused team determined to provide premium results in any market situation.

Combining over 40 years experience in Real Estate, Development, Business Management and Marketing Solutions, Harcourts West Ryde are your Local Property Specialists

1/1020 Victoria Road, WEST RYDE, NSW 2114
(02) 8006 2114 | westryde@harcourts.com.au

Sales Department

Harcourts West Ryde
www.westryde.harcourts.com.au