

Real Estate News

INFORMATION TO HELP YOU WHEN BUYING OR SELLING | June 2011 |

Passed In

Why failing to sell at auction is bad for your wealth

PETER O'MALLEY



As a property seller, it is extremely disappointing when the price interest in your home falls short of your hopes & expectations. Failing to achieve your price target will happen in one of two ways – private failure or public failure. Failing privately means the agent submits the current buyer's price interest/offers on your property to you and you decline the offers. You then decide to continue looking for another buyer or you withdraw from the market. Either way, your business remains your business.

When this happens at a public auction, whilst you may be disappointed, the failed campaign has more than likely damaged the value of your property. Your business is now the neighbour's business and when the result is picked up by the newspapers, it basically becomes everyone's business. It becomes common knowledge that you tried to sell at auction and failed. Even more damaging, the price that you declined to sell for becomes the published price in a multitude of publications and media outlets.

When faced with this logic, most agree that failing to sell at auction is not a good look for the seller. But what is often overlooked is that no one has ever paid upfront advertised fees, booked an auctioneer for 5 Saturdays time and expected the auction to fail.

Everyone who has ever embarked on an auction campaign has done so because they expected their property to sell.

So you have a scenario where 100% of people who have signed

up to sell by auction, do so in the knowledge a failure to sell will reflect poorly on the property.

The auction clearance rate across Sydney was around 50% through the months February to April.

Therefore, 50% of all properties that went under the auction hammer failed in front of the interested buyers & the neighbours. As if the auction was not traumatic enough, the homeowners could read about their failed auction in the Sunday paper.

Where does the auction stop?

It is shaping up as a market reality that there is not going to be a boom during 2011. The market finished 2010 in a sluggish mode and has opened up as such in 2011, besides the odd sale that exceeds all expectations.

A wonderful question to ask yourself in a cooling market is – how do you have an auction with 1 buyer? The answer is you can't. That is a fairly simple question to answer though.

The second question that many people don't ask is what happens if a cashed up emotional home buyer and a bargain hunter are the two bidders for your home? The answer is the emotional home buyer will stop one bid above the bargain hunters last bid. Due to the fact the bargain hunters last bid is likely to be well below the seller's reserve price, the property will then be passed in to the emotional home buyers.

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A Shift in the Great Australian Dream

PAUL KOUNNAS

LETTER FROM EDITOR



Let me define a slow market.

Instead of approximately 350 transactions every month in the local area there are 'only' 250 transactions.

Another definition of a slow market is that prices are not going up.

Most people define the real estate market by the strength of turnover at any one point in time and whether prices are going up or down. Everything is relative.

The truth is that the market is only slow for those who are not IN the market and those who are not ON the market.

If you are ON the market your property will always sell at TODAY's price. It will not sell at yesterday's price or at tomorrow's price.

If you are IN the market you will always have the opportunity to buy at today's price.

When you participate you have the chance to succeed.

Tony Abboud
Principal

With the price of housing escalating over the past few years, the trend for first home buyers is to buy a smaller property.

Apartments and units represent an affordable alternative and it's the preferred option for generation Y, particularly when it offers them the added benefit of an inner city lifestyle. Most apartment buildings in Sydney are constructed within 15km of the CBD and offer easy access to the inner city lifestyle for work and recreation. Baby boomers downsizing are also attracted to the lifestyle that apartments and units offer, which is easy access to cafes, restaurants and other forms of entertainment.

A question I am often asked is: What's a better investment an apartment or a house? The answer can be both yes and no. It depends on the financial situation and circumstances of each individual.

Most people believe that houses are a better investment because of the land component. This can be very true particularly if the land is large enough and the zoning allows further subdivision and development. It is also true however, that as a growing number of people are choosing to live closer to the CBD, property values of apartments in these areas are also performing well.

The choice on what type of property to buy in these inner city suburbs then comes down to your budget.

Most houses in these locations are \$1 Million plus, making them too expensive for most people. Units and apartments are cheaper and fall within the budget of many buyers.

Demand for units and apartments instead of a house on a quarter acre block will continue to grow over the coming years. There is a definite shift in the great Australian dream and it is driven by affordability and lifestyle choice.



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(Continued from page 1)

The auction has stopped

The emotional homebuyers have just been alerted to the fact that they were about to pay more for the property than anyone else in the open market is prepared to pay. In this situation, if the emotional home buyer was prepared to pay \$50,000 more than the bargain hunter, the seller stands to unwittingly lose up to \$49,000, as a lack of competition stalls the auction. This is the practical reality of public auctions – they require multiple bidders all prepared to pay above the seller's reserve price to work. The romantic notion that 10 bidders will turn up to bid at every auction is more fiction than fact.

If the public auctions continue to flounder, sellers are putting the sale of major assets through the most risky sale process available.

Lets say the seller hangs tough though. The auctioneer will sometimes disclose the sellers reserve to the market/crowd, usually in the form of a vendor bid.

The emotional home buyer cannot believe their luck - the reserve price is lower than they were originally going to pay for the home.

Sold

And the sellers are then told by their agent what a great result and how lucky they were to sell on the day in "this climate".

Only the emotional buyer knows that the public failure of the auction drove the final selling price down. The seller will never know and the agent does not want to know.

Market Conditions

In a buoyant environment where multiple emotional home buyers are turning up to outbid each other at auction, the risk of public failure does not loom as large. The question of whether you sell for the highest price or a high price then comes into play.

It can be an achievement finding one good buyer for your property at present, so why choose a strategy that requires at least 2 good buyers?

If the public auctions continue to flounder, sellers are putting the sale of major assets through the most risky sale process available. The advertising money is at risk, the highest bidder's confidence in the property is at risk, achieving the best price is at risk and the public deadline (that was meant to pressure the dozens of buyers to act) now hangs over the sellers, pressuring the one party it wasn't meant too.

During the GFC which was one of the most challenging periods to sell real estate, many sellers gave agents simple instructions – "if you can sell our home to a buyer for a price that we are satisfied with, we are happy to pay your commission. If you cannot do that, we don't want to pay anything"

Why wait for a crisis to issue those simple instructions to an agent?



As a seller determined to achieve the highest possible price, the one thing that you should never do is let your interested buyers know what other offers you have received. Why? Because the focus for the interested buyers becomes outbidding the competition by \$1000 as opposed to focusing on the highest price they are willing and able to pay.

Negotiation experts agree that you should never let the other side know your position.

As a seller determined to achieve top dollar, you want to know the highest price every buyer is prepared to pay for your property. For further assistance on getting the best price when selling call us today.

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Silent Auction

Does it deliver sellers the best results?

Ryde- Suburb Profile

The third oldest settlement in Australia, Ryde was named after the town of Ryde on the Isle of Wight, U.K. It is recognised as one of Sydney's most significant growth suburbs. Located 13km north-west of the Sydney CBD and 8km east of Parramatta, Ryde is a rare mix of a bustling urban atmosphere and the quieter suburban lifestyle. It's a desirable residential address for families, a destination for business people and a popular tourist spot for the many people who come to the area to see the nearby Olympic village.

Top Ryde City is a vibrant new precinct which has revitalised the area, encompassing extensive commercial space, a multitude of residential apartments and more than 270 specialty stores. A major recreational attraction is the Ryde Aquatic Leisure Centre which hosted events for the 2000 Sydney Olympics. Riverside Corporate Park is known as the area's 'silicon valley', home to many multinational corporations.

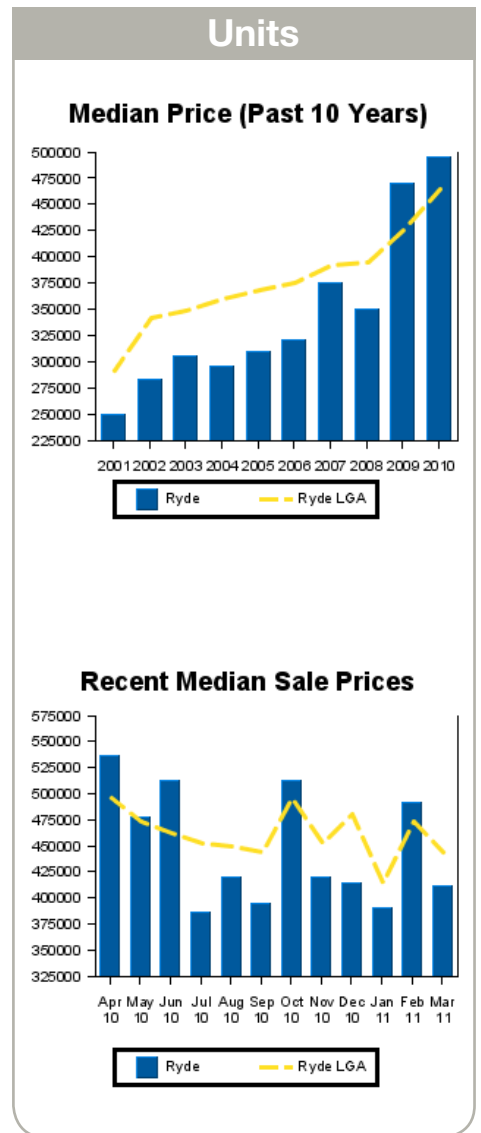
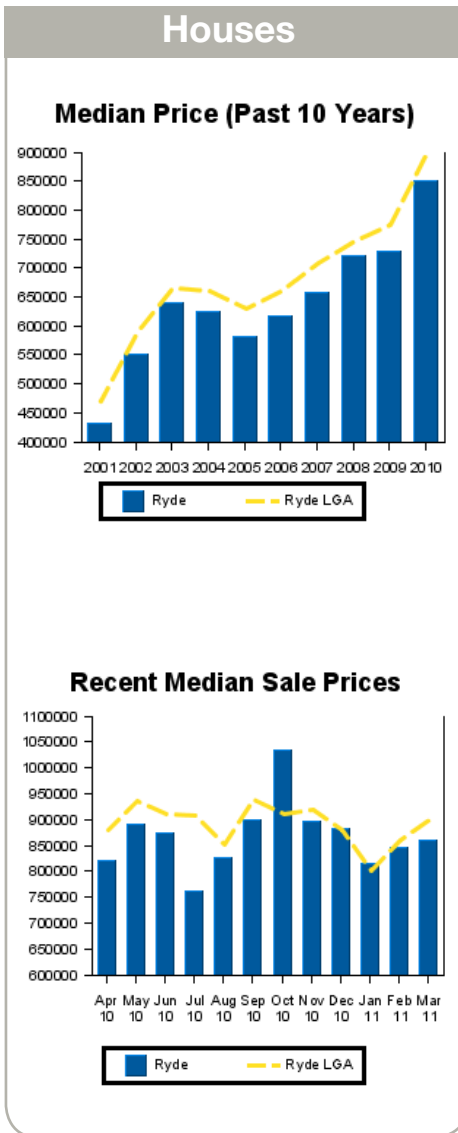
Architecturally Ryde is home to primarily modern houses and apartments, as few of the historic original properties remain. The many schools in the suburb reflect its family orientation.

The following statistics may be of interest to you.

They have been sourced from RP Data (See www.rpdata.com).

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NB: Median prices should be used as a guide only.

13 Beazley Street, Ryde: listed and sold within four weeks, at the asking price.



"Our dealings with Simon Saad were nothing short of excellent. Selling a house is a very stressful experience, especially when the market is so unpredictable. Thank you for making it a less stressful experience for us.

You showed us commitment and ongoing confidence that the house would sell. You also kept us up to date almost daily with what was happening, who was coming through and the comments that were being made about the house. You did not push us into making any changes but gave us valuable advice regarding improving the way we could sell.

We have no hesitation in recommending Simon Saad and Snowden Parkes as a trusting agent and agency."

George & Hellen Kitsandonis

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