

RealEstateNews

INFORMATION TO HELP YOU WHEN BUYING OR SELLING | July 2010 |

High or Highest?

PETER O'MALLEY

Getting a sale or getting the best price.

The greatest losses occur during the times of greatest gains. This is particularly so when the real estate market is rising. Getting a sale and getting the very best possible price is not always the same outcome for many property sellers. The irony of real estate is that sellers are more likely to undersell in a strong market than they are in a soft market. The reason being that in a soft market, sellers tend to fight very hard to protect the downside of the sale. They hold out for every possible dollar and really work towards getting the best possible result in the market.

In a strong market, seller's minimum price expectations are achieved quite easily, therefore there tends to be a lack of focus on the buyers maximum. It is such an obvious (and expensive) point that can be overlooked when selling in a good market.

Dignam Real Estate's Director Adam McMahon has some simple advice for anyone selling in the current market, "Focus on each of the interested buyer's maximum price, not your minimum price. Keep your minimum price confidential, even from your real estate agent."

"The moment you disclose your minimum price, that is likely to be the highest price you will get."

Reserve Price

The most common term used to describe the seller's minimum price is "reserve price". The



This property was listed for \$519,000 and sold for \$525,000 and a Farrell Road property was listed for \$269,000 and sold for \$280,000. \$11,000 over the asking price

reserve price is the minimum price that must be achieved for the property to be sold under the hammer at the auction. The property is then sold to the "highest bidder" over the reserve price.

Question – If you are selling, do you want to just sell to the highest bidder above your reserve? Or do you want to sell to the highest bidder for the highest price the bidder is prepared to pay for your property?

These are questions that sellers should consider before going on the market.

Adam told Real Estate News that when the

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8 Reasons to Buy a Home

BUY A HOME. IT WILL BE ONE OF THE GREAT JOYS OF YOUR LIFE!

LETTER FROM EDITOR



Dear Reader,

Welcome to the first issue of Dignam Real Estate's Real Estate News. In the last few months we have seen an increase in the prices achieved on the properties right across the north, some negotiated above asking prices. The last time we saw this type of excitement in the market was 2002/2003.

The market has been typically hard to predict not in the least because of the Government intervention through various grants and stimulus.

The best guide I could give is that conditions rarely stay the same for any long period and be wary of any forecasts from groups with vested interest in the directions of the market. This of course eliminates a lot of commentary you will see in mainstream media.

Most importantly you should act with the future in mind ie. you can afford any fluctuations (reasonably) in rates. Most people in the market around 90% are there for personal reasons and should be guided by their personal needs not the speculative nature of the market. Don't ignore a bad situation at home because you think you can sell for more next year. Always put a great value on your peace of mind & happiness.

If the team at Dignam Real Estate can assist you in any way please do not hesitate to call us.

Best Wishes

Matt Dignam

1. It feels good.

The feeling of paying off your own home gives you and your family a feeling of pride and satisfaction. The feeling of home ownership should be experienced by everyone.

2. It gives you emotional security.

Having a home creates a feeling of belonging. Home is where you are always welcome. No-one can come into your home without your permission. Your home is your castle.

3. It gives you financial security.

Saving can be hard. Buying a home is a great form of saving as each payment takes you closer to the day when you achieve total ownership. Your home soon becomes your greatest financial asset.

4. It keeps your family together.

Your home is the foundation for your family unit. As your children grow, they will feel secure - because home is always 'there'. The welcome light will remain on until all the family are home each night. Homes make families better.

5. It occupies you.

You don't occupy a home as much as the home occupies you. There is always something to do around the home. You and your family will enjoy thousands of hours at home.

6. It takes care of you.

When you are sad, your home will lift your spirits. When you are ill, your home will comfort you. When you go away, you will miss your home. When you come home, you will feel that special warmth only a home can give. Your home is your sanctuary.

7. It records your life.

A home is full of memories. The word 'home' is a positive word. When you think of home you think of all the dreams, the fun and the great times. Your home has special feelings. From the scent of the garden to the way the sun enters your favourite room, your home triggers wonderful thoughts.

8. Your home is you.

You belong at home. Your home is a part of you. It's the heart of your life, a part of your soul. It's the anchor of your family's togetherness. You, your family and your home are as one.

High or Highest?

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market is strong, the sellers' reserve price is met much easier than in a soft market therefore the auction clearance rate is higher.

The Northern Suburbs has a notoriously low auction clearance rate.

"Auction clearance rates are a true reflection of what percentage of buyers were prepared to pay the sellers minimum price or better, on a given weekend. They do not factor in what buyers were prepared to pay for these properties. Potential sellers should be wary about using auction clearance rates as a determining factor when deciding upon the best way to market their property."

False Success

If you were prepared to accept \$750,000

for your property and sold it for \$792,500, would you consider the sale a success? On the surface, most people would call that a great success. But what if the buyer who bought your property for \$792,500 was willingly to pay \$825,000?

Would you still consider the sale a success?

An initial success can be quite rubbery if a few probing questions are explored.

Due to the market strength, sellers are happily accepting "good prices" not realising they could have sold for a "great price".

Adam's advice to sellers concerned about underselling is to "Always insist all interested buyers submit their best offer private and confidentially. Then you can choose the right offer based on the highest price with acceptable terms."



To price or not to price

It is a conundrum most sellers face when it comes time to sell. To set an asking price or not? If not, is “auction” or “expression of interest” a better way to go? If you decide to set a price, how do you set the right price and avoid setting the price too high or too low?

Answer: In real estate marketing, pricing is a strategy not a figure.

When it comes to setting a price strategy, there is no scientific formula that covers all properties in all market conditions. Variable factors need to be assessed. Issues such as - Is it a buyers or sellers market, how unique and desirable is the property to the current buyers in the market, and what have similar properties sold for recently?

When going on the market, the most important point about setting your price strategy is it must attract the right buyers. Not just buyers active in the market, but buyers who are capable of paying the sellers desired price.

A long time tactic favoured by the real estate industry is to initially quote a low price in order to attract a lot of buyers to the auction, with the intention of getting them to bid against each other on the day. New

legislation by the ACCC has been drafted to hopefully stamp out these practices. This bait pricing as it is known, is damaging to sellers because it puts a low price in the buyers mind, therefore potentially attracting the wrong market.

Analogy: Setting a price is like setting a screw. You don't want too little or too much resistance. Too much resistance suggests you have set the price too high and too little resistance suggests you have set the price too low.

Expressions of Interest is usually a seller's alternate strategy to the auction system. It is one where an asking price is not set, but buyers are invited to submit offers to the seller. It is a strategy that works well when the real value of the property is hard to gauge – the market may be actively moving, up or down, the property is unique, or there may be a concern about setting the wrong price and damaging the value of the property.

Never disclose one buyers offer to another interested buyer as the buyers focus then becomes outbidding the competition by \$1000, as opposed to submitting their best price. This is what takes place at most auctions every weekend – buyers trying to buy a property for \$1000 more than the competition.

Selling above the asking price

There is a common misconception that you cannot achieve more than the asking

price using private treaty. Adam points out that about 43% of Dignam Real Estate's sales have been at or above the asking price this year. Recently our office sold 66 Gahans Lane, Woonona for \$6,000 above the asking price.

“It was a classic case of a high price or the highest price for our client. Our owners would have been happy to sell at the asking price or below if necessary. 2 buyers made offers on the property, the

highest at \$525,000.”

The right agent with the right strategy will deliver the highest possible market price. Given that you will only get one chance to sell your property, attaining the highest possible price is imperative. If you are selling to buy elsewhere, the next seller won't do you any favours on price, so you owe it to yourself to get the highest possible price in the marketplace.

RECENT SALES

185 Princes Highway, Bulli	\$668,000	49 Thalassa Avenue, Corrimal	\$475,000
46 Carrington Street, Woonona	\$600,000	5 Woonona Parade, Woonona	\$493,000
8 Lachlan Street, Thirroul	\$599,000	2 Liamina Avenue, Woonona	\$699,000
66 Gahans Avenue, Woonona	\$525,000	8/232-234 Princes Highway, Bulli	\$382,000
34 Joseph Street, Woonona	\$494,000	4 Bath Street, Thirroul	\$791,000

“Just thought I would let you know how happy Jodie and I are with the standard of professionalism that your team offered us.

Sometime gratitude gets lost in our everyday jobs. Gratitude is a huge part of a salesperson's career and is not recognised very often. The attention to detail that you guys gave us was hugely appreciated. Feeling confident that everything that was spoken about was done. (Plus more).

Being open from the get go with you and your team creates a level of honesty that is transparent throughout the purchase of our new property and the sale of our property.

Using Dignam Real Estate has been extremely painless and rewarding. I did have a high expectation of Dignam's, but, that expectation was met.

Once again please accept our sincere thanks for your expertise.”

Peter Hofman & Jodie Bennett



Are you bored with your present job? Consider a career in real estate sales.

A base salary package of \$52,000 plus training based on sales performance can easily give you an income of \$75,000 annually, with many earning well over \$100,000 per annum.

For more information and FREE career booklet please contact us at

careers@dignam.com.au



**real estate
careers**

FREE training to
the right people



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