

A Home Seller's Guide

**THE
REAL ESTATE
BOOK**

*Thinking of selling?
Make it the best move you ever make!*

RUSSELL HADDAN

The Real Estate Book
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First edition

Published by David Russell Real Estate Pty Limited
ABN 52 086 981 946

First Published in Australia 2021

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A Home Seller's Guide
The Real Estate Book
Thinking of Selling?
Make it the Best Move you ever make!

ISBN 978-0-6489855-0-1

I would like to dedicate the first edition of this book to my friend and colleague, Garry Morris. Having worked with me for over 10 years, he became someone I truly counted on.

Sadly, diagnosed with cancer - we said goodbye to Garry, December 2020.

We miss you.

ACKNOWLEDGEMENTS

I have so much to be grateful for... particularly the privilege of choosing my path in life, being raised in a well-grounded, loving home in our superb city of Sydney in the luckiest, perhaps finest country on this planet.

My parents gave me the fundamentals and instilled in me the merits of knowing right from wrong. These early foundations served me well and by applying those principles I learned, I am enjoying a wonderful, fulfilling life which has led me to writing this book.

The brainchild and motivation for this book was indeed my loving wife, Ashley. Without her insistence that I had something worthwhile to say, believing all home sellers could benefit from my knowledge, this book would not exist.

Her input cannot be understated. I deeply thank Ashley for never giving up, for her constructive input and constant debate, making sure I believed I could do it. Ashley, I truly love you and treasure your support. Let's hope we never lose the courage to keep each other on our toes ... until the very end.

Mr Neil Jenman, my long-term mentor and valued friend for nearly three decades. Your guidance in helping to bring my thoughts to life, removing the fluff, has blown my expectations. I know how dedicated you are to helping others, some would say overburdened with demand for your time, but still you gave plenty of it - to me. I am so very grateful and again, you have amazed me!

Along with Neil I also have an incredibly supportive group to thank. Every time I thought I was finished and ready to forward the book to the editor, someone would raise the bar and tell me to press on to improve the draft.

The task of reassurance rested with my sister, Suzanne Haddan, whose opinion I value highly. The very first draft was sent to Suzanne for her approval. Given her extensive business success, I felt confident with her 'thumbs up', I was on the right path.

I would also like to thank Jenni Lowes, Liz Morris, Kim Fehon, Sofia Deluca and Lyn Lambert for their assistance in editing and proofreading. I have always said 'I am a good seller, not a good speller' and that was certainly proven by them all. Gary Knowles, a professional writer himself, deserves my special thanks – he claimed not only to have enjoyed reading the book but went on to make many vital suggestions and corrections that made my message shine through. Sincere thanks to you, Gary.

Finally, I would like to thank my past and present clients. The faith you have shown, entrusting me to look after your interests, is truly inspiring. I consider so many of you lifelong friends. Thank you.

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Disclaimer:

Various case studies are presented throughout this book. To protect the privacy of the people involved, their names have been changed. Transaction values have also been adjusted in some cases, however, the ratios and percentages of the transactions have remained the same – so the illustration can be relied upon.

FOREWORD

By NEIL JENMAN

Author of

Real Estate Mistakes,

Australia's best-ever selling real estate book for consumers.

Most of my working life is spent helping and supporting home sellers. I help owners all over Australia to get the best price for their homes at the lowest cost.

This book might put me out of a job.

If you are selling your home, I want you to imagine this book is a small suitcase. Inside is a large amount of cash – let's call it one hundred thousand dollars. You can have this money to keep, with no obligations. It is tax-free, with no hidden charges and nothing to pay in the future. No tricks, no traps, no obligations – just a bundle of cash totalling at least one hundred thousand dollars. It is money you never expected, yet it is money to which you are very much entitled.

You see, it is *your* money. Always was and always will be. And yet you probably don't know it belongs to you. And while some people may think I am exaggerating, I promise you I am not.

If anything, when I talk about homeowners underselling their homes, I am conservative. If the hard truth got out there, most people would not believe it. Until they spent some time with me – or spoke to another agent in Melbourne, Jim Grigoriou, who is compiling research on this topic for a book called *The Real Estate Short-Sell, Inside Australia's Greatest Hidden Property Scandal*.

This money, this extra one hundred thousand dollars (or whatever amount it is), is money you will almost certainly receive if you take one action before you sell – do some research.

I have been in the real estate industry since 1972 and I believe there has never been a more difficult or dangerous time for home sellers.

These days, most home sellers get three bad outcomes. They do not get well treated by agents, they pay far too much in needless costs and, worst of all, their homes are undersold.

When you are selling your home, there is only one way to prevent these three dreadful outcomes. Only one way to turn negative results into positive results, to be sure you get well treated, to be sure you do not pay too much, and, most important, to get the best price.

I repeat: do some research.

And just about all the research you need can be found in this book.

Yes, the author, Russell Haddan, is a real estate agent. But, unlike most agents, Russell is dedicated to helping home sellers – and that means making sure they get well treated, that they don't pay too much in expenses and, I repeat, that they get the best price for their homes.

This book reveals plenty about what goes on in the real estate world, a world skewed towards making sure agents earn the most money with the lowest risk.

It should be the other way around. When sellers deal with agents it should be the sellers who are *not* at risk, it should be the sellers who get the maximum amount of money and it should be the sellers who have good reason to be happy.

Unfortunately, the typical methods used by most agents these days are so slick that when most sellers get ripped off, they never know they have been ripped off.

I constantly see smiling home sellers thanking their agent and yet they have no idea they could easily have sold for tens, often hundreds, of thousands of dollars more.

Sometimes I see homes undersold by millions of dollars. For example, a large farm near where I live was sold for \$11 million (not in Russell's area). The sellers were happy. But the buyers were ecstatic – they had been willing to pay \$15 million. The farm was undersold by \$4 million – and the hapless owners never knew it.

If those owners had read this book, they would have an extra \$4 million today. But, sadly for them, this book did not exist when they sold their family farm.

What does \$4 million look like? Would it fit inside a small suitcase? Perhaps.

This book can help you; it can give you the knowledge to get thousands of dollars more for your home. Not all the time; it depends on the quality of the agents. But likely most of the time.

This book not only gives you knowledge, it gives you CONTROL. By controlling agents instead of having them control you, you are in charge, you can direct the way your home is sold. Instead of having to squirm when an agent says, 'This is the way we do it,' you can say, 'This is how you must do it.'

Most of my working life is dedicated to helping sellers find good agents and then supporting those sellers through the selling process. My aim is to make sure sellers get the highest possible price and pay the lowest possible costs – and, finally, that they are genuinely happy. It is hard to find good agents and it is hard to convince sellers they are in danger. It's only after they have been

through the typical selling process that sellers realise they have been exploited. Some sellers never know.

When I am contacted by home sellers from Russell Haddan's area, I send them to him. He always succeeds. He even sold our own family home. Unfortunately, Russell Haddan is a rare agent. But now that he has written this book, it means many other home sellers in many other areas will have the truthful knowledge they need. This will give those sellers the three great results: they will be rightly happy, they will pay a fair amount for an agent's service and, best of all, they will get the highest price for their home.

As I said at the start of this foreword, if every home seller in Australia read this book before they contacted an agent and they followed its suggestions, I would be out of a job. When someone contacts me asking me to help them sell their home safely and for the right price, I would just tell them to read Russell Haddan's book.

This book can help turn the real estate world from a difficult and dangerous place for home sellers into an easy and safe place. That makes me feel happy and optimistic for the thousands of homeowners who sell their homes every week in Australia.

Russell Haddan, thank you for your contribution to protecting Australia's home sellers.

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INTRODUCTION

Over my many years in real estate, I have seen the good, the bad and the very ugly. But what has never changed is the level of incompetence and deception that occurs nearly every weekend, in a suburb near you, throughout the real estate industry.

Tens of thousands of dollars are lost by home sellers due to the unseen incompetence of their chosen agent. Regularly, this is teamed up with highly questionable ethics, driven by greed and self-interest.

I have been selling family homes and advising owners in the Hills District of Sydney for over 20 years. And whilst I don't claim to have all the answers, I have a good understanding of the processes, traps and pitfalls that await you when considering selling. Drawing from my own observations and the valued professional training provided to me by Neil Jenman and his training team, I have endeavoured to cover a wide range of concerns and provide advice in the following chapters. I hope, armed with this guidance and knowledge, you will confidently defend your interests and place your trust wisely when the time comes to choose an agent to sell your home.

Neil Jenman is one of our country's leading real estate trainers and a respected consumer advocate. The willingness of Neil to fight, argue or compete for consumers and their rights over the years has been inspiring. Looking back, he threw down a gauntlet in the face of traditional real estate practices - challenging the establishment, reporting the scandals, and relaying the endless stories of people who sought his assistance, some in desperate need of help.

Before starting in real estate, I embarked on an extensive training program with

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the Jenman Group, which in itself is unusual for the industry. Most people who enter real estate are given a desk, a phone and a month, with little training, before they are released onto the unsuspecting public - often with the realisation they need to sink or swim. Sadly, this frequently results in desperate methods. They pull out all stops to keep their job and inevitably many consumers are burnt in the process.

These newcomers, many of whom have never purchased a home themselves, are out there, giving advice, telling homeowners what to expect and what to do, without having a clear understanding of the risks, hazards and emotions that come into play. To make matters worse, some will not have your best interests at heart – as the industry is rampant with greed and selfish ambition.

Early in my career, working at John Luce Real Estate at West Pennant Hills, I saw the industry at its worst. There I was sitting at my desk, when Geoffrey, an elderly gentleman walked in. He asked if I could come out and put a value on his home. He expressed the urgency, as he felt he needed a quick sale (days not weeks) in order to move into a local retirement village.

I had never met this gentleman before. That day he had walked the entire strip, asking all the local competing agents to value his home. A total of five agents, including me, had been lined up. That was fine, except he made the somewhat lethal mistake of telling all of us exactly what he needed to sell his home for. Now, this was over 22 years ago, so the figures are nominal when compared to today's prices - but the percentages remain the same. He advised he needed to sell the property for a minimum of \$190,000.

I was the last agent in. Straight away I knew the property was worth somewhere between \$240,000 and \$260,000. And with the luxury of a little extra time, I would have had no problem achieving a great result for Geoffrey within that range.

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I remember the circumstances like they were yesterday. Geoffrey told me about the tragic loss of his wife earlier that year. He expressed how much he missed her and felt completely lost without her. They had no children and his only surviving relative lived interstate. My heart broke for this man. He was an honest, straight shooter who needed help.

I told him what I thought about the value of his home; he was a little stunned.

What came next rocked me. It made me realise just how bad the industry can be. He told me that I was the only agent who said he could get mid \$200,000s for his home. In fact, I was the only agent who informed him his property was worth more than the \$190,000 he was aiming for.

He went on to say that he had already received three offers from the other agents prepared to buy, ranging from \$190,000 to \$195,000. One agent was so keen to snap up this bargain that he wanted to drop in a deposit and have Geoffrey issue a receipt. This man was so vulnerable, with few looking out to protect his interests.

As you would rightly assume, these agents were trying to buy this property for themselves, at a price some 20–25% below the market value! It would be the equivalent of buying a \$1,000,000 home today for \$750,000.

Having heard his story, I asked Geoffrey if he trusted me ... and whilst he was under very tight time restraints, he left the matter in my hands.

We didn't have the time to formally go to market, but I had the perfect prospective buyer in mind: a young, newly married couple who had been viewing homes with me over the previous fortnight. I warned him that they would be financially stretched and only had a maximum budget of \$230,000. Geoffrey didn't hesitate and told me, if they like it, it's theirs.

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And sure enough, they did like it. Not just like it, they loved it! They promptly offered their maximum of \$230,000.

Geoffrey loved that a young couple was going to be moving in. In fact, I had to stop this lovely, humble man giving them an additional discount. They were already getting a bargain.

What this event showed me is how appallingly opportunistic agents in the industry can be. Out of the four other agents, three almost routinely and without hesitation tried to take advantage of this elderly gentleman - clearly prepared to rob him and reduce his lifelong savings in the process. Sadly, over the years I have heard so many stories like this one. And it doesn't take much common sense to realise that it happens all the time, with these events and circumstances rarely seeing the light of day.

I can tell you without a moment's hesitation that if one of the other agents had made a genuine offer, at a fair price, I would have told Geoffrey to accept it. Given his circumstances, that would have been in his best interests.

That brings me back to Neil's training and what he was aiming to achieve -

Promoting Ethics in Real Estate.

And I know you would rarely hear the words 'ethics' and 'real estate' used in the same sentence. *But you should!* Wouldn't it be wonderful if that was the approach more agents adopted?

The Oxford English dictionaries define 'ethics' as the 'moral principles that govern a person's behaviour or the conducting of an activity'.

'But how does that actually work in the real world?' you might ask. Well I once heard a great explanation or interpretation of what ethics is - '*Not knowingly doing harm*'.

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Not knowingly doing harm ... what a great way to approach dealing with your clients.

It doesn't mean mistakes will never occur, but it does mean all decisions made, and actions suggested, are done with the client's best interests at heart. And that is certainly the way I have conducted myself while navigating my way through this industry.

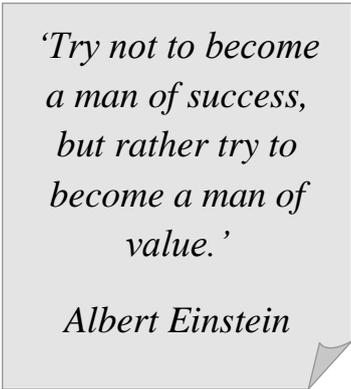
In essence - placing the interests of my clients ahead of my own.

Now, I know this may sound altruistic, and you might even say to yourself, 'yeah right' – a little too decent and noble! But the simple fact remains: if I have a bucket full of happy clients, the financial aspects of my business are well looked after. Therefore, my goal is simple - work hard and take great care of my home sellers, with happy, satisfied clients equalling success.

I hope you enjoy this book. I trust you will gain advantage for yourselves and your family with the wisdom of benefiting from the mistakes and recklessness of others before you.

Please don't allow yourself to behave like 'lambs to the slaughter', displaying complete calm - without fight – and having no awareness of the possible obstacles that await you. Above all, know the importance of being informed.

This book has been written with you in mind. It outlines those pitfalls, those traps, and the many conflicting views you will hear from those claiming to be experts in their field, while clamouring to secure your business.



*'Try not to become
a man of success,
but rather try to
become a man of
value.'*

Albert Einstein

INTRODUCTION

For all who read the following pages, my ambition in writing this book is to improve your outcome when selling your home and to enhance your experience both emotionally and financially; primarily ensuring that when you come to choose your agent, you are well equipped and ready for battle!

WHICH AGENT?

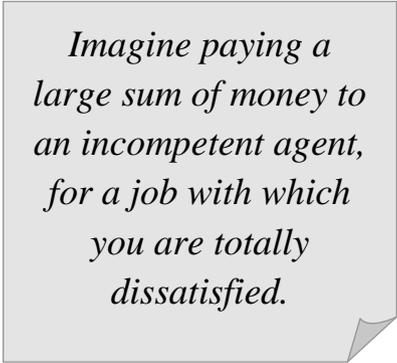
Do not choose your agent on fee alone.

An agent with the cheapest selling fee can often end up being the most EXPENSIVE AGENT of all!

Choosing an agent is a challenging task for many people. Even those not flustered with the process of selling their home make fundamental mistakes when choosing an agent. These mistakes, come settlement day, can cost you tens of thousands of dollars.

There are so many agents to choose from and, for many homeowners, they have little clue about where to start. Who knows the drawbacks of going with a large franchise or the benefits of choosing an independent agent? Are you better off going with a mature agent, and does an agent's gender make any difference?

So many points need to be considered before making the right, informed choice. These questions, and many more, may well be on your mind - along with the added pressure of knowing your choice will likely determine the level of success that you will enjoy come sale time.



Imagine paying a large sum of money to an incompetent agent, for a job with which you are totally dissatisfied.

When friends and family seek my advice, the first and most important factor I tell them to consider when choosing an agent is to ask themselves '***DO I LIKE THIS PERSON?***'

WHICH AGENT? Do not choose your agent on fee alone.

Forget all other considerations at this stage. We will look at those in detail a little later. Simply ask yourself: do I like this person and do I want them to have access to my largest asset and become an important part of my life?

If you feel uncomfortable with an agent, so will buyers. This is something you obviously need to avoid. You need to engage an agent who looks okay, is openly friendly and makes you feel comfortable. Most importantly, you need an agent who relates well to people from all walks of life.

Likeable people tend to get better results. And that means more money, less stress and preferred settlement terms for you. All too often this likeable factor is ignored, and money is lost, often resulting in your home being sold for well below the price promised by that agent. And, as an added penalty, you end up paying someone you don't even like!

So, once you find an agent you LIKE, the next step is to check their credentials and look at their track record. Now, that does not necessarily mean the agent who has sold the most homes, as you are looking for quality not quantity. It is important to consider and examine all aspects of performance, which should include:

- **Past prices achieved;**
- **Original list price compared to selling price;**
- **Time taken to sell;**
- **The agent's list to sell ratio;** and most importantly,
- ***CLIENT SATISFACTION.***

Most of this information can easily be sourced online. However, determining client satisfaction can be more difficult.

Many agents will show you references, but let's face it: you are unlikely to ever see a bad reference given to you by anyone trying to win your business. But keep in mind also that you really have no clue if any of these favourable

WHICH AGENT? Do not choose your agent on fee alone.

references are genuine, or typical of the agent's level of performance or client satisfaction.

What you need to ask the agent is to provide you with a list of customers' names and contact numbers of, say, their last 10 sales so that you can randomly select and talk with them personally. Whether or not you choose to call is not as important as the agent's willingness to provide the list in the first place.

The poorer agents will often give you reasons as to why names and numbers cannot be provided, citing privacy issues etc. However, good and competent agents will have no problem in getting their delighted clients' permission to provide such details. JUST ASK!

Satisfied clients are more than happy to assist. Unhappy clients do not want anything to do with the agent who sold their home. Likewise, their agent does not want you to have any contact with them. People are usually more open with the truth when speaking one on one and answering questions about the agent's performance than when they put their words on paper.

And if you really want to take it to the next level, door knock their current sellers to see how they are going and whether they are happy with the performance of their agent thus far. Some will give their agent the thumbs up, while others will tell you to run a mile from this agent, while sharing the reasons why they feel that way.

So, utilise this resource. You may be stunned at the candid responses you receive about agents who, on face value, appear to be very successful.

SELLING FEES

'Good agents are worth a higher fee. Bad agents are not worth any fee. Some are so desperate they will go as low as half a percent to sell your home. If they go low you will go low too. Remember – cheap agents usually mean cheap prices. So, work out what you need, know the true value of your home and hire the best negotiator at a fair fee.

This is the best way to the highest "Net Price" for yourself.'

Neil Jenman

To most people, fees are a very important issue when considering selling. How much is the commission? Do they charge for advertising and, if so, how much and what other charges will I incur? These are all important questions you need answered.

Agents don't sell homes, people buy them. So make sure you have a good negotiator on your side.

The mistake so many people make, however, is to judge and pick their agent on fees alone. People will often choose an agent based on who charges the least, justifying their decision based on how much money they think they will save. This often leads to heartache and financial loss.

Let's firstly consider the agent's job. Agents don't sell homes; all homes ultimately sell themselves. The primary job of an agent is to negotiate the best price. At the end of the day, it's their ability to negotiate that sets them apart.

SELLING FEES

So, given their primary job is to negotiate, it makes sense good negotiators also have the ability to justify and convince you of their own value and to charge a fair fee. Let's face it: if they can't look after their own money, how are they going to look after and protect yours?

In many areas, the fee charged is around 2.2% GST inclusive. And most agents will start at this point. A large portion of these agents, though, buckle under pressure applied by the seller to reduce their fees. This should immediately ring alarm bells! Fee reduction may sound great on the surface, but let's just think about it a little further.

Do you really want an agent whose knee-jerk reaction to pressure - is to reduce?

Firstly, do you really want an agent selling your home whose knee-jerk reaction to pressure is to reduce? The agent should have the ability to fight for their own value, in the same way you would hope and want them to fight for the value of your home.

Secondly, by getting them to reduce their fees, you have just out-negotiated the very person you want to negotiate the sale of your own home. Any agent who cannot demonstrate their own value is not worth hiring. In such cases, you would be better off selling the home yourself!

Sure, you might get an agent to reduce their fee to 1% or below. And on your \$1,000,000 home, that equates to \$10,000. But it's the opportunity cost that is at stake that you really need to consider. The difference between a good and mediocre sale price can be 5% or more. So, while you might have saved \$10,000 in fees, you could have lost yourself as much as \$50,000 in your selling price, leaving you far worse off.

SELLING FEES

Take a look at these figures below, which illustrate my point. The results may surprise you.

	<u>Agent A</u> 1% Selling Fee	<u>Agent B</u> 2.2% Selling Fee
Selling Price Achieved	\$1,000,000	\$1,050,000
Selling Fee	\$10,000	\$23,100
Your Net Sale Proceeds	\$990,000	\$1,026,900

So, ensure you engage a good negotiator to sell your home – not some cowboy with a low fee, with low skills to match.

The agent who charges the least is often the most expensive of them all.

BEWARE – your selling price depends on it!

Fees should always be negotiable at point of sale.

In my office, when our clients sign with us, they are all on the same fee. However, our fees are totally negotiable at point of sale - and this is written on our listing agreement. We have our standard fee but we allow the owner the opportunity to decide if we are worth our fee at the point of sale.

The upside to this, for the owner, is they are free to judge our performance. And, with this type of arrangement, it also gives them complete confidence the truth has been told ... and the promises made by their agent can be relied upon.

This is what I recommend all owners have written into their listing agreements:

'Commission is totally negotiable at point of sale.'

SELLING FEES

Now, most agents won't do this, but why, if they are confident the selling price they are quoting is achievable? If they intend to deliver on all their promises, they should not be worried about getting paid. It's the old 'put your money where your mouth is' scenario and if they are not prepared to do so, this should ring alarm bells.

This fee flexibility benefits you, as the owner. You will feel more comfortable and more in control of the sale process. It weeds out all those dishonest agents who attempt to buy your business by highly exaggerating the expected sale price, making promises they can neither honour nor deliver.

All too often these agents exaggerate the price to attract your business. Then, once you have signed on the dotted line and are locked into a fixed contract, they then, over time, start to condition and pressure you to drop your asking price.

Sadly, lying to get your business is rampant throughout the real estate industry. And it is the biggest trap for homeowners. But the good news is, you can be certain that when an agent is prepared to declare that their fee is negotiable at the point of sale, there is no trap. This agent will arm you with facts and figures that can be justified in the current market, enabling you to make confident and informed decisions on your sale, your future, and your choice of agent.

It should be the agent's intent, and indeed their job, to push and persuade buyers to the maximum price they are prepared to pay. This is often not the case. In reality, it is easier for an agent to get the owner down - than to get the buyer up.

Often, agents who charge the least are the most expensive of them all!

SELLING FEES

The problem is that the difference between selling your home for a particular price or selling it for, say, \$10,000 or \$20,000 extra, is only a few hundred dollars to the agent. Many don't care. It's a few hundred dollars and they are still making thousands. Having

'Only a few businesses will succeed by having the lowest price.

So most will need a strategy that includes customer services.'

Bill Gates

fees negotiable at the point of sale puts the pressure back on **THEM**. They don't know, nor should you ever tell them, your trigger point for reducing their commission. So, as a result, they end up doing the job they are meant to do - that is, getting the absolute maximum price with satisfied (hopefully delighted) clients and getting paid their deserved selling fee.

Just picture an unskilled agent selling your home. A buyer shows interest and offers a price well below what they are prepared to pay. The poorly skilled agent accepts the offer without objection (incredibly, sometimes with delight) and proceeds to present this offer to you, the owner, citing many reasons as to why you should accept it. Frequently feeling there is little hope for a better price, the owner then accepts the offer and signs their home away.

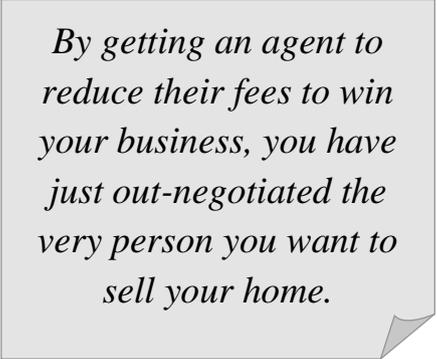
Unfortunately, this owner may not even realise how many thousands of dollars they have potentially lost. And regardless of their approval or disapproval of the agent's negotiation skills and sales approach, they must cough up their fee nonetheless!

If you signed the fixed contract – YOU PAY!

SELLING FEES

Remember, many inexperienced or even experienced agents will lack the confidence to push. We refer to these agents as 'order takers'. They fail to read the buyer's signals and will have little hope of achieving the highest possible price and the best result for you.

I always say my objective is to make sure I do my job so well that my clients would never dream of questioning my fee. Why would a client who obtains a great price for their home, often well beyond their expectations, not be delighted? They get a wonderful price and I get paid. Sounds very much like a great outcome and a win-win for both parties.



By getting an agent to reduce their fees to win your business, you have just out-negotiated the very person you want to sell your home.

This does, however, require a degree of fairness from the owner. If the circumstances of the sale change or the economic climate changes suddenly (for example, September 11), then their expectations need to change along with these events.

It amazes me that owners will still pick the cheapest agent to do this very important job for them. They should base their decision on who they believe is the most competent and skilled, who they believe has their interests at heart - the agent most capable of the best outcome.

Choosing the cheap agent, when selling your home, is high risk and will most likely lead to financial loss.

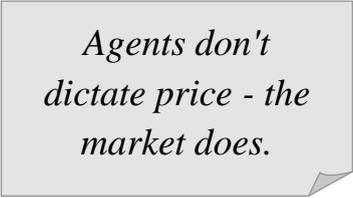
GETTING A QUOTE

Don't give the biggest liar the job

One of the owner's first hurdles when determining which agent to choose often relates to price.

The real estate industry is full of agents prepared to lie to you. They deliberately inflate the expected selling price of your home in an effort to secure your business.

Remember, an agent quoting a price is one thing, but achieving that price is an entirely different matter. An agent does not dictate price – the market does.



*Agents don't
dictate price - the
market does.*

When deciding to sell their family home, one of the biggest challenges owners face is getting a realistic estimate of their selling price. They need a value that can be relied upon. But many fall into the trap of believing that the agent who quotes the highest selling price is the

agent most equipped to achieve the best result. All too often the opposite occurs ... ***as the biggest liar is given the job!***

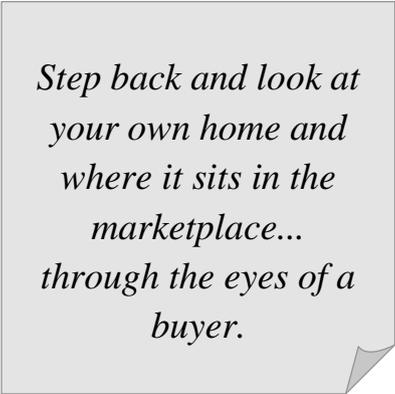
This is why it is essential you pick an agent who can justify their pricing. Whether or not this price is higher or lower than your expectations, the agent needs to show you proof of how they reached that value. After all, isn't that the reason you are getting a professional out in the first place - to get informed, reliable advice?

GETTING A QUOTE Don't give the biggest liar the job!

And just because an agent is prepared to quote a higher expected selling price means nothing - or worse than nothing if that price can't be achieved. It is just plain dishonesty!

However, the problem you, the owner, face is this - all agents know this type of behaviour exists in the industry. So they know if they tell the truth, the chance of winning your business is reduced. As a result, many inflate the price, knowing there is a good chance the competition will load up their prices too. They do this purely to increase the odds of getting your home to sell. There is a saying in the industry: 'if you haven't got it, you can't sell it.' And as an agent, if you don't sell homes, you don't get paid!

So, you can get a number of agents out to 'quote' and many may give inflated prices, hoping to be the successful one who secures your business. The problem is you, as the owner, now logically believe, based on the information provided, your home has a certain 'exaggerated' value.



*Step back and look at
your own home and
where it sits in the
marketplace...
through the eyes of a
buyer.*

Meanwhile, the honest agent who gives you a realistic quote which, in isolation, may be below the other agents' estimates, is usually completely disregarded and rejected by the homeowner - which is often a very costly mistake.

Frankly, it is that agent, the competent, honest agent, who is more likely to achieve the best price in the marketplace for you. This is because, from day one, they are solely focused on finding the best possible buyer for you, at the highest achievable price.

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In contrast, the plan of attack of the dishonest agent is dedicated to convincing you over time to reduce your price, to 'meet the market' – ultimately to a price you should have started from in the first place. And sadly, in the process, you miss those initial enthusiastic buyers and the excitement a fresh property to the market brings.

This inevitably leads to disappointment, as more often than not, you sell your home for a lower price than you could have achieved if it was priced correctly in the first place.

Remember, an agent who has won your business by inflating the price now has to deal with this problem the only way they can. And that is by getting you to reduce your price to a more realistic level. They do this by what the industry refers to as 'conditioning'. But more on that later ...

Price exaggerations are going to happen. So how do you address this? Well, first and foremost, you make the agent justify the price they quote. The agent needs to show you recent sales results of similar homes in your area.

Be realistic and use your common sense. There is no point comparing your Commodore to a Ferrari. Ensure you are comparing apples to apples. Things like location, size and age of your home all affect your bottom line.

So don't be fooled. Step back and look at your own home and where it sits in the marketplace ... through the eyes of a buyer.

Follow up with your own research. There are plenty of comparable sales, and there is detailed information online about these homes and their relevant features. Don't be put off if you are not tech-savvy – get a friend or relative to assist you with this; it is really straightforward.

Another excellent way to judge if information is correct and realistic is to compare the original asking prices to selling prices, from the agent you are

considering. If you see large discrepancies, be wary. It's a trend that is usually repeated again and again by agents who rely on 'buying your listing' by inflating the price.

Remember, deception and dishonest behaviour is rampant throughout the industry ... you need to stay alert. Agents are too often prepared to say and do whatever is necessary to get what they want – your business - regardless of the cost or disadvantage to you.

The following situation occurred early in my career. It highlights one of the biggest problems in the industry both then and now.

I was called out, along with two other local agents, by a couple looking to sell their lovely single-level four-bedroom home in Castle Hill. This represented a common property in the area, and consequently was not difficult to value. They were downsizing and hoping to pocket a reasonable amount of cash to supplement their retirement fund.

I went out and spent considerable time getting to know them, making sure they were well informed on what I could do for them and how. When I left, they were happy with my appraisal, happy with me as an individual and the processes involved. I was quietly confident they would choose me as their agent.

Later that day, however, I got the call all agents hate - the 'Thanks, but we have gone with someone else' call. I was a little shocked, but they were very nice about it and I wished them well.

I did, however, ask them why they chose the other agent over me. And here it is - words I have heard countless times ... ***'The other agent promised more.'***

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They had already made their decision and signed an agreement. So all I could do was wish them well and advise them of what to look out for. In my heart, I knew full well there was no chance they were going to sell their home for the price promised by their agent. In fact, over the following four to six weeks, I noticed a number of price reductions on this particular property – but it still remained overpriced and unsold.

From time to time this couple got in touch for a chat and expressed their frustration with their agent. They were tired of the lies, exhausted with the process and were at the point of wanting to give up. They expressed the desire to switch to me, having regretted not choosing me in the first place. But unfortunately, they were in a fixed term 90-day contract, so there was little that could be done until it expired.

As it happened, they got in touch again in the final days of their agreement. They were seeking advice about an offer they had just received. The offer was way below the price promised by their agent, who was pressuring them to accept it.

This offer was at the lower end of the range I initially told them to expect and perhaps somewhat less than what I could have achieved if I had the home to sell from the get go. But now it was three months along and the damage to the property's value had been done.

Their agency agreement was expiring and while they were going to switch to me, I felt they had been through enough and advised them to take the offer on the table. It was the right advice and enabled them to move forward with their lives.

The most annoying and disappointing part of these common scenarios is that a 'lying agent' gets paid. The agent is rewarded, while the home sellers endure months of suffering and ultimately sell their properties for less than what they could have.

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As a home seller, BEWARE! Later, I will provide actions you can take to protect yourself and avoid being caught out by a liar.

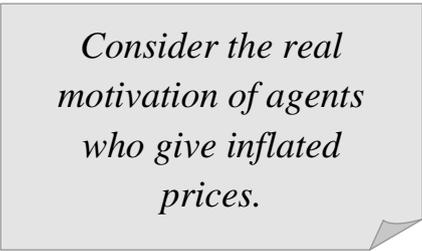
As mentioned - always ensure you get reliable advice. Don't get blindsided! A lot of agents will say whatever they have to, as far as price is concerned, to win you over and encourage you to list with them. It's not overly difficult to convince an owner their property is worth more than it is. We are ALL open and hopeful for that unachievable price.

It is important, however, to consider the real motivation of the agent who gives an inflated price.

Their motivation might not be solely to achieve the opportunity to sell your home – it may also be to bring together another sale, one with you as the buyer. The best way to explain this is the following example, which I unfortunately witnessed from the sidelines, somewhat helpless to assist.

This was Michael and Trudi's experience.

Now, Trudi always wanted to have a swimming pool for her children. And although they had the room to consider installing a pool at their modest home, they felt they would not get their investment back, if and when they sold.



*Consider the real
motivation of agents
who give inflated
prices.*

Michael got a promotion at work and, feeling things were looking up, they popped into a few open homes, toying with upgrading. They found a home they really liked, up for auction. The agent had a chat with them about their options. He advised that the owners were open to offers prior to the auction.

Michael and Trudi should have been very cautious at this point – particularly considering they hadn't even seriously thought about selling their current home or what was involved.

Over the coming days, the agent visited their home and said they could expect \$1,100,000 for their home by auction, going as far as suggesting 'if there was a good turnout of buyers, they could achieve an even higher price'.

They worked out a few sums and decided to make an offer on the home they had fallen in love with. They agreed on a price of \$1,250,000, based on the information from this agent regarding the achievable price on their current home.

Michael and Trudi were so excited about buying their dream home, with lots of extra room and a sparkling inground pool.

But that feeling didn't last long!

They parted with a tidy sum for their auction advertising campaign, and after a number of weeks without any pre-auction offers, their auction date arrived. The auction was held in-rooms along with several other properties. At first it looked promising, with many people present – but it became a disaster. Not only was their property passed in, but it was passed in without a bid. They were heartbroken – nobody wanted their property, at any price!

Pressure was now mounting. Time was getting tight, with their settlement date on the new purchase looming.

Feeling very unimpressed with their auction agent, and with thousands of dollars wasted on their auction advertising campaign, they were becoming increasingly concerned that the same agent had exaggerated the expected price for their current home.

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Finally, after months on the market, they received their first and only offer of \$930,000 – an offer they were unfortunately forced to accept. Realistically, this price was considerably lower than what could have been achieved if the sale was handled correctly in the first place without false and misguided information leading them to a failed auction. And most disturbing of all: leaving a nasty \$170,000 hole in their budget to contend with.

Their finances were now looking shaky with the additional exposure. New documentation was requested by their broker. Also, their solicitor's bill was blowing out due to the increased workload and narrowing deadlines.

If you sell at a price much lower than promised by your agent, they still get paid their handsome commission.

They had lots of sleepless nights, knowing full well if they did not get their finance approval, they would be forced to forfeit the 10% deposit they paid when committing to buy the new home. They

braced themselves to lose \$125,000, particularly as their solicitor advised all extensions on settlement dates had been exhausted.

Fortunately, at the last moment a family member was able to advance them \$150,000. This enabled them to get their borrowings approved and settle on the new home in time.

Of course, all the gloss and happiness usually associated with buying a new home was completely overshadowed by this financial disaster.

It is wise to learn from others' mistakes. What Michael and Trudi failed to do was their due diligence. They should have at least ensured they got reliable advice before committing to a property purchase. They believed a deceitful agent whose primary interest, it seems, was to get them

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committed to the home they loved, by whatever underhanded means necessary.

And I can assure you of this - the property they were selling was what we refer to as a 'common property', and pricing such a home with accuracy is not hard. Therefore, the agent was fully aware of his deception, and in actual fact was counting on them being forced to sell, having already purchased. Always remember – if you sell at a price much lower than quoted, the agent still gets paid a handsome commission despite that deception.

Never allow an agent you are considering buying through to be the sole adviser on the expected selling price of the home you need to sell. Agents may well tell you anything, simply to make the whole thing come together.

To buy before you sell is risky enough without the added pressure of the changeover cost blowing out – as it did in this case.

Also see the chapter 'Is It Wise to Buy Before Selling?'

DOES SIZE MATTER?

Or does skill win the day?

A lot of people think bigger is better and a large office increases their chances of success. When I first started in real estate, this was probably true. Large offices had a monopoly on buyers. Buyers would be drawn to the office to talk with agents about the properties they had available for sale.

Back then, people would source an agent then look at properties. Now, however, this process has been *completely reversed*. With the advent of the internet and the ease with which buyers can now view properties and filter their requirements online, buyers now source the property first, then deal with whoever has that property for sale.

Buyers now source the property first, then deal with whoever has that property for sale.

This is a *massive shift*. So now, a monopoly on buyers is a luxury of the past, and in today's market agents need to be better skilled at what they do, with all agents, pretty much, having the same access to 99% of those looking to buy. However, what they do with

those buyers is another thing altogether. Negotiation skills and the agent's reputation are paramount, as discussed throughout this book.

Because of the internet, having a large office with a massive window display is almost a thing of the past. The size of the office comes second to the quality of the agent.

DOES SIZE MATTER? Or does skill win the day?

Most people are unaware that agents don't actually sell homes; people buy them. No agent can get someone who does not like your home to buy it and don't let anyone tell you otherwise.

However, a competent agent can get the buyer who likes your home to pay more than they would otherwise pay. In essence, that is what you are paying the agent to do - not to sell the home but to negotiate the best price, once the buyer has been found.

Agents will argue this point. But just ask yourself: 'If I don't like the home, am I going to buy it?' The answer is 'No, absolutely not!'

Now, that doesn't mean an agent can't help a buyer come to the conclusion they should buy the home. By directing conversation and aiding them to overcome their fears, a competent agent can indeed have influence; they can assist a buyer to come to a decision that they, in their hearts, wanted to reach anyway.

No-one wants to make a mistake. Most people, when it comes to large purchases, naturally procrastinate. Even when we like a home that fits our criteria, we are more likely to talk ourselves out of the purchase than move forward to secure the home. A competent agent has the necessary skills to guide that person, arming them with relevant information to help justify their decision to buy, at least in their own minds. But equally important, equipping them with the information to justify their decision to others, particularly family members contributing to the purchase.

The problem with agents today is that a large majority of them are 'order takers'. They are inexperienced, unskilled and poorly trained, waiting for someone to come along and make an offer. The 'order taker' then relays that offer to the homeowner and merely waits for their reaction.

DOES SIZE MATTER? Or does skill win the day?

Once they get the owner's response, they then relay that information back to the buyer, and so on, and so on, with the owner receiving little advice or direction from the agent.

Sadly, this is a perfect example of the homeowner becoming the primary negotiator in the sale of their own home!

But, just ask yourself, 'Isn't that what you employed the agent to do?' And if not, what are you actually paying them for? Shouldn't they have a

better negotiation skill level than the owner? Unfortunately, in some cases, they do not. And perhaps the owner would be better off selling the property themselves and saving an unearned selling fee!

Sometimes you only have one chance with a buyer; don't waste it on someone who is learning their craft. Let them practise on someone else's home.

Lack of skill is not always evident and that is why it can be wise to speak with your prospective agent's former clients, to get their educated opinion. They have the benefit of hindsight.

In easy sales times an agent's level of competence can be fudged. During boom markets, making sales is never a problem, with nearly all properties for sale attracting multiple offers, and some well above the asking price. A 'For Sale' sign goes up and, a few days later, a 'Sold' sign appears.

During these times, agents look like they are doing a great job. But in reality, too many are just 'order takers', underselling these homes. Please remember that an 'order taker' will undoubtedly lose you money by not achieving the best possible price in a negotiated sale.

DOES SIZE MATTER? Or does skill win the day?

With boom markets being so hot and purchasers' offers so high - attempting to outbid competing buyers - even seasoned agents can be surprised at some of the results achieved. This highlights the need for a confident, competent and skilled negotiator to get you the absolute best result, not just accepting what is on the table, to simply get another sale on the board. As already mentioned, but worth noting again, the difference between selling your property for one price or \$10,000 or \$20,000 more is only a few hundred dollars in commission to the selling agent. And the 'order takers' simply don't care!

'A team' versus 'B team'

Another trap that you must watch out for is what I call the A team versus B Team. Before I got into real estate I was caught out by this scenario.

I contacted a number of agents to sell a property I had in Bella Vista, Sydney, New South Wales. I particularly liked one candidate from a large and, by all accounts, successful office.

This agent was a seasoned salesperson, having been in the industry for many years. He demonstrated a sound understanding of the market, along with great people skills and, what I am sure, were superior negotiation skills when compared to the other candidates I interviewed.

He was indeed the *'A team'*. However, once locked into a signed agreement, I was disheartened to find all inspections were handled by his junior sales assistants. He never brought a buyer through my home. And whilst his assistants were lovely young men and women, I would never have engaged them to sell my home, and certainly not allowed them to negotiate on my behalf.

DOES SIZE MATTER? Or does skill win the day?

So whilst I listed with what I thought was the best agent in the area, my chosen agent didn't sell my home - he was barely involved in the process - and I was disappointed with the result.

So be wary. This type of bait and switch behaviour happens regularly, particularly in the larger offices. Make sure that the agent you sign with - the agent who impresses you - is indeed the agent who intends to handle most of the transaction, ensuring you are not simply passed on to assistants and inferior sales staff the '**B team**'.

Always remember, sometimes you only have one chance with a buyer; don't waste it on someone who is learning their craft. Let them practise on someone else's home.

HIRE A NEGOTIATOR

It's not until you analyse the behaviour of agents during negotiations that you can see the incompetence and the potential tragic costs to their clients – due not only to their actions but, more so, their inactions.

During peak periods when it's a seller's market, it's not as obvious. But it still occurs with poor handling of early offers and an agent's inability to identify the signals of buyers' interest.

I saw this before I even started in real estate and it was, in part, the actions of the particular agent concerned that encouraged me to pursue this career with vigour.

One of the first properties I purchased in the Hills District was a block of land in Castle Hill. When my wife and I saw the block, we fell instantly in love with it and there was no way we wanted to miss the best block we had seen within our budget. At that time, vacant land in Castle Hill was rare, and unless you were prepared to knock down and rebuild, you had few options from which to choose.

The asking price of the block was \$147,500 (circa 1994). We would have certainly paid full price, and possibly even more if we were forced to compete with another buyer.

I don't know how the agent did not pick up on our enthusiasm. But being careful not to show our hand, we made an initial offer of \$125,000, thinking, of course, we would have no hope at that price, and somewhat concerned we may offend the owner with such a lowball offer.

HIRE A NEGOTIATOR

We were very surprised when the agent promptly accepted our offer and was prepared to submit it to the owner. He went on to reassure us that he would do all he could to get it through on our behalf. 'What a nice guy', some would say. We were thinking, he cannot be that incompetent. Surely not! We can't be that lucky.

We ultimately purchased the land for \$130,000. A massive \$17,500 below the price we were prepared to pay or around 11% off the asking price.

Yes, 11%! Now apply that to a \$1,000,000 home price today, and we are talking \$110,000 underachieved!

Situations similar to this happen all the time in real estate - in fact, typically every weekend. It is not easily seen, and certainly rarely reported, and buyers may say 'Great - lead the way to these agents.' But as a home seller you need to be aware of these nice, unskilled, incompetent cowboys who call themselves sales professionals.

This is what should have happened.

Firstly, any agent should always approach every sale as if they can achieve, at least, the full asking price. Agents with lower expectations are already giving their client's money away.

I have seen this many times over the years as both an agent and a buyer, with unskilled agents indicating, or even suggesting, a price below the asking price, before even hearing what the buyer is prepared to pay.

When we initially offered the figure of \$125,000 it should have been immediately declined. Low offers should always be rejected immediately by the agent. Even when an offer is reasonable, or an offer is higher than expected, it should always be rejected. Rejected, if for no other reason than to make the buyer work hard for what they want.

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A buyer is nearly always more likely to proceed, after a hard negotiation. If it comes all too easy, a buyer is more likely to double-guess themselves and walk away, going cold on the negotiation after their offer was accepted too readily, with the anxious feeling of having paid too much!

If the agent had rejected our offer, taking away any hope in those early stages, he could have easily got us to increase our offer, *on the spot*. This is not rocket science. This is what the agent should have done, and is employed to do by every real estate owner engaging their services to sell their property.

Be assured, buyers simply don't just walk away when pressure is applied in a negotiation. They draw a line in the sand and when their limits are met, they simply hold their ground and argue their point.

So even if the agent misjudges enthusiasm and indeed the offer presented ends up being their best, all is not lost, and the process can continue.

The agent must convey the buyer's offer to the owner. But a good agent only speaks with their owner about acceptance after having made a judgement that they have obtained, at that point in time, the very best offer.

The agent must always try to get more when the buyer expresses their interest with an initial offer, as it is at this early stage that the motivation and emotions are at their peak and it is the easiest time to get substantial increases in offers made.

HIRE A NEGOTIATOR

This is not always the case but certainly this situation must be explored to its fullest. It is in these early stages when the most money is lost by an incompetent agent.

As buyers, our greatest fear was missing out with someone else rocking up and beating our price – snatching the land from under us. We were, at that time, negotiating from an internal position of weakness and fear. As we had our hearts set on it, there was no Plan B. We should have had a dreaded fear of loss.

But, instead, following the actions of the agent, our position somewhat strengthened and we became confident we were in with a good chance of securing our perfect block at a great price.

We received much more power in that negotiation than we deserved and certainly more than we should have been allowed. This agent was costing his seller a lot of money and had no idea he was doing it!

Remember, we loved this block and loved the location - as is the case in most property purchases. But with the agent's inability to read the situation in those early stages, he enabled us to believe we could buy the block for a lesser price - a price considerably lower than we would have paid and certainly far less than a competent agent could have negotiated and persuaded us to pay.

This scenario unfortunately happens in real estate every weekend, in every suburb of every state and territory in Australia.

It's in the early stages that the most money is lost. It's lost because of poor negotiating skills and also the fear of the agent that if they push the buyer, they may put them off and lose the sale. So, all they really do is convey a price and wait for a response. The classic sign of an 'order taker'.

Order takers will cost you money!

Skilled negotiators, on the other hand, understand the process. They can read buyers' signals and also have a clear understanding of the mindset involved in nearly all sales.

When people find a home they love, they try not to show the agent how much they love it. But some of us always know. We know the signals. We have been in these situations many times before and have learned from our 'rookie' mistakes. There are numerous

It's in the early stages of a negotiation when the most money is lost by an incompetent agent.

indicators that will tell me what I need to know. And by asking questions and simply watching body language, I can form an opinion about people's feelings on a particular property.

One of my favourite tell-tale signs is how buyers communicate with each other. If they like the home, they make comments such as 'We can polish the boards', or 'I can use this room for ...', referring to themselves, using first-person words like 'I' and 'we' a lot. This shows they are actually visualising themselves living in the home. It may be subconscious but they are literally assuming ownership. That's a clear indication the time is right for us to proceed to the next stage in the selling process. More importantly, it is an indication that it is SAFE to do so.

So, it is at this point that I can confidently move to the next stage and start to take more control of the transaction's outcome. I now know it is safe to do so and, in essence, my power in the negotiation process has improved and the buyer's power has somewhat decreased. Whatever power they had is now transferred back to me, the agent, and the owner.

HIRE A NEGOTIATOR

This is especially relevant in a poor market. Let's face it: during those peak years when it was an incredible seller's market, the buyers had little or no power at all. Often the tactic the buyers employed was to make great leaps in their offered price, in an effort to quash the opposition.

But a buyer's market reverses that and, all of a sudden, the power is in the buyer's hands ... or so they think. It may well be, if they are negotiating with an unskilled agent.

Once someone finds a home they truly love, that is ticking all their boxes, their greatest fear is losing it. They believe that because they like it, everyone else will too.

In fact, however, they may be the only buyer interested in the home. And possibly the only person on the planet willing to buy it – at that particular time and price.

At this point, a skilled negotiator is worth their weight in gold. They will pick up on the signals, create a sense of urgency and negotiate a great sale for their owners.

I once read a great quote from Warren Buffett.

'It's far better to buy a wonderful company at a fair price, than a fair company at a wonderful price.'

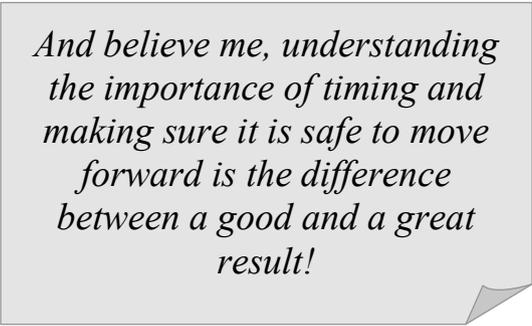
I believe and encourage buyers to adopt a similar approach when purchasing a home. When you find a home you love, be prepared to go to your limit; don't settle on a home you can take or leave just because of price.

Who has the power?

Power is present in any negotiation and any relationship. I am not talking about power in the sense of any form of domination but rather the power of influence and decision making.

Too many agents do not understand this dynamic; so, sadly, a lot of sales are lost.

For instance, the wife might like the home more than the husband or vice versa. The parents who are contributing to the purchase may have different ideas. Or it can be as simple as the person the buyer seeks advice and approval from is not present.



And believe me, understanding the importance of timing and making sure it is safe to move forward is the difference between a good and a great result!

As an agent I have to filter through all the smoke and haze to determine who the major decision-maker is. I have to decide who is the largest contributor, who will be the one with the most influence, and who will ultimately have the final say.

You will be astonished how *often agents give their attention to the wrong person in a negotiation.*

In some cultures, for instance, the parents' approval is crucial. Often parents will say very little. They don't interact and it's hard to know whether they

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approve or not. But over many years, I have honed my skills, coming up with ways to make them feel comfortable too. This enables us to communicate and allows me to gain the necessary information needed, to once again make sure I am dealing with the right decision-maker.

It is amusing how children understand the concept of who has the power. They seem to know who is more likely to give them what they want ... better than most agents who are meant to be trained professionals.

In my house, if my boys want something or something done, they know exactly who to go to, who has the decision-making power and the final say. And sadly, it's not me.

Is it safe?

I referred earlier to the term 'safe to do so'. This is a very important point. In any negotiation, there comes a time when you can comfortably move forward, at a time when all parties are happy to do so. Timing is a crucial principle of negotiation, but sadly too many agents don't understand this.

One reason why agents have a reputation for being pushy is because they try to 'close' a sale before it is 'SAFE' to do so. Let me explain.

A natural barrier exists when a buyer or a seller first meet an agent. Because of preconceived ideas, many people are wary of what information they are prepared to disclose. And because most agents don't take the time to get to know who they are dealing with, most negotiations are done using a 'cookie cutter' approach, rather than the agent tailoring how they act and what they say to the individuals they are dealing with at the time.

It's only when you have a full understanding of the needs, wants and personalities of those you are dealing with that you can safely move to the next stage of any negotiation. When the client feels comfortable dealing with you,

HIRE A NEGOTIATOR

you can then say things and suggest actions that won't be construed as typical agent behaviour.

The greatest compliment I receive is when a buyer thanks me for assisting them to buy a home, and they say something along the lines of ... 'You don't act like a real estate agent' or 'We didn't feel pushed or sold to'.

When I receive such comments, I know I am doing my job well and all parties have been looked after. By always ensuring I take the time and earn the right to say and do what is necessary, I get the best possible outcome for my client - the seller.

A SUMMARY OF ESSENTIAL QUESTIONS BEFORE YOU SIGN

An agent's true colours will always show themselves - usually, only after you have signed on the dotted line.

This chapter provides some valuable questions to help you make an informed decision when choosing your agent.

Over the years I have heard many complaints about real estate agents and their practices - and these are not just limited to people who have called me in to assist in selling their homes.

The most common complaints I hear from home sellers are:

- Sold far lower than the price promised by the agent;
- Charged too much and delivered too little;
- Felt the agent was working for the buyer, not the seller;
- Agent changed their stripes once the agreement was signed; and
- Agent's failure to communicate and too difficult to contact.

No agent is going to sit in front of you and tell you they are a dud. They are going to talk themselves up and a lot of them are particularly good at this.

*'Rhetoric is not
important. Actions are.'*

Nelson Mandela

By asking some well-directed questions (questions most agents don't like), you can quickly weed out the pretenders from the contenders.

A SUMMARY OF ESSENTIAL QUESTIONS BEFORE YOU SIGN

So here are a few essential questions you should always ask your agent ***before signing on the dotted line:***

- How have you arrived at your expected selling price for my home?
- Can you provide a list of your recent sales and the customer contact details?
- Do you offer a pricing guarantee?
- Will you allow me to terminate the agreement, if I become unhappy with you, within the selling agreement period?
- Is your selling fee negotiable?

How have you arrived at your expected selling price for my home?

Have the agent substantiate this with details of recent sales and addresses of similar homes to yours. Have the agent discuss the similarities and differences, and specifically, why these particular homes offer evidence to justify their pricing. This is a basic function of any agent. If they are unable to provide valid and convincing evidence as to how they arrived at your home's value, question their competency. And, if you can clearly see from this discussion they are exaggerating the price, bypass them altogether!

Can you provide a list of your recent sales and the clients' contact details?

Insist on a list of names and contact numbers of their recent clients. A good agent will not hesitate to provide these details. A good agent has satisfied customers who would be happy to talk with you and answer your questions. Be wary of the agent who is reluctant to provide these details. Almost certainly they have something to hide.

A SUMMARY OF ESSENTIAL QUESTIONS BEFORE YOU SIGN

Questions to ask past clients include:

- Were you happy with the service provided?
- Did you get the price you wanted and was it in line with the agent's appraisal?
- Did they live up to their promises and commitments?
- Did your agent keep you informed?
- Would you use them again?

Do you offer a pricing guarantee?

This is a wonderful question to ask those agents who overquote. Beat them at their own game and ask for a pricing guarantee.

A guarantee can be as simple as: if the home doesn't sell within the range promised, they don't get paid. Or where the agent pressures you to reduce your asking price, outside their range, you have the option to terminate your agreement with them.

Obviously, there must be a degree of fairness. If the market conditions have altered, as happened with COVID-19, for example, the pricing will need to be adjusted and agreed upon by both parties. Always remember, a confident, honest agent will have no problem putting their money where their mouth is.

Will you allow me to terminate the agreement, if I become unhappy with you, within the selling agency agreement period?

My clients have the comfort of knowing that if at any point they are not happy with my performance, they can sack me. All of my selling agreements have a clause that I can be terminated at any time, for any reason - that's how confident we are in our ability to perform.

This allows my clients to feel more comfortable, confident the information we provide is accurate - confident that we are genuine in the way we approach

A SUMMARY OF ESSENTIAL QUESTIONS BEFORE YOU SIGN

dealing with our clients and our business. In effect, this allows our clients to relax, safe in the knowledge that they are not locked into a long-term agreement from which there is little or no escape. Too often, home sellers are trapped in an agency agreement they are desperate to be free from, realising their error all too late and consequently suffering regret for ever signing the damn thing in the first place.

Nothing is worse than signing with an agent and then finding out that they are not the professional they portrayed themselves to be. Finding out all too late:

- They have highly exaggerated your expected selling price.
- They are difficult to reach by phone.
- You rarely ever see them and only occasionally receive messages through their assistant.
- They have proven to be extremely incompetent and highly sackable.

Is your selling fee negotiable?

If you sell my home and I am dissatisfied with your level of service, your competence and the price achieved, will you reduce your selling fee?

In our office, as previously mentioned, we write on all agreements that you can sack us at any time but we also write **our fee is totally negotiable** at the point of sale. We have no problem backing our ability to get the best price - the price we promised.

An agent who is not prepared to put their fee on the line is not confident in their own abilities to deliver on what's been promised or, worse still, is flat-out lying to you.

A SUMMARY OF ESSENTIAL QUESTIONS BEFORE YOU SIGN

Once again, you need to be fair and realistic. And if market conditions were to significantly change, price expectations need to be adjusted accordingly.

These are five great questions. They are primarily aimed at determining the legitimacy and honesty of the agent you are considering. And if all you did was ask these questions, you would quickly determine the agents you should consider and the ones you should avoid. By being well prepared, you dramatically increase your chances of choosing wisely.

The last two questions I find particularly important because they place the power of the agreement firmly back into the hands of the owner. They allow peace of mind, as where a wrong decision has been made, agreements can be terminated.

I always say to my clients, there are two things I strive to achieve:

- 1 *You never want to leave me; and*
- 2 *I do my job so well that you would never dream of questioning my fee.*

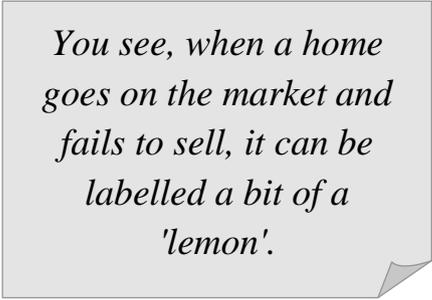
And if those two things occur, I assure you we have both come out on top.

BEWARE OF YOUR ELECTRONIC FOOTPRINT

This chapter is more about a warning to homeowners rather than any processes involved in selling your home.

What is an electronic footprint? All past selling and advertising activity online. This information is freely available and forever on the internet, for all to see, and can be found with minimal effort.

Key in an address of any home – then information, ranging from when it was last sold, when it was last on the market, how long it was on the market, pricing, and so on, will appear.



You see, when a home goes on the market and fails to sell, it can be labelled a bit of a 'lemon'.

Firstly, we need to accept that we can't avoid it. If we promote a home for sale on the various internet sites, it will remain there forever. But why is it so dangerous?

The danger comes from past activity, but more importantly, from any failed attempts to sell. You see, when a home goes to market and fails to sell, it can be labelled a bit of a 'lemon'.

When a home enters the market, buyers doing their research can easily see it was previously on the market, say, six months or a year ago. They are naturally curious as to why the home didn't sell. Let's face it - if you were buying a home and you saw that it failed to sell in the past, you would probably ask the question 'What is wrong with it?' And even if you do not ask the question directly, you will still question and wonder why it didn't sell.

BEWARE OF YOUR ELECTRONIC FOOTPRINT

Any confusion or lack of clarity about a property will usually lead to a decrease in enthusiasm and a possible increase in concerns regarding that home.

I once had a property; we placed it on the market and unfortunately, after two weeks, one of the owners' parents had a medical emergency. This required the sellers to travel overseas to assist family for an indefinite period.

The home was withdrawn from sale and when the emergency was sorted out, some six months later, we once again resumed the promotion of the property.

What followed was question after question from buyers as to why it didn't sell before and what was wrong with the property. I truthfully explained the reality of the situation, but I am certain some buyers still had their doubts.

It is hard to quantify, but I am sure it had some impact on buyers' confidence and quite possibly the final result.

This can even occur in situations when someone buys a home and then, for personal reasons, sells it relatively quickly again.

To give you an example of this, I was recently involved in selling a local home numerous times over a brief period. The original homeowner had been in the home for about eight years, decided to downsize and sold the home. Then the new owners, after only 30 months, needed to sell to return overseas due to family commitments. We sold the home again, only to find the latest buyers, after 18 months, accepted a job transfer interstate and we sold it again!

So, there we have a home, for all the right reasons, with no negative aspects to the property, being sold three times in four years.

The problem this created when dealing with buyers was immense, leading to question after question as to why and what was wrong with the property. Low offers, due to a belief there was something fundamentally wrong with the

. BEWARE OF YOUR ELECTRONIC FOOTPRINT

home, were endless. And, of course, it didn't matter what I, as the agent, said to reassure them; there was still some residual doubt left in buyers' minds.

Comments such as 'I like the home. It's great, but I am concerned as to why people are constantly selling it!' were common.

And they were the buyers who made contact and inspected the home. The unknown question is *how many genuine buyers bypassed it altogether*.

Remembering back to when I first started in real estate, the internet basically did not exist. I know this is hard for the younger generation to imagine, but print media was our only way to advertise homes.

So, unless someone had been stockpiling all the back issues of the local real estate magazines, there was no tangible way to know what past activity had occurred on the property. Unless, of course, you had personal knowledge.

You could find out when it was last sold by going to the local council or the Land Titles Office. But frankly, hardly anyone would bother.

Nowadays, some websites advertising real estate even show the number of views a property on the market has received. So, the length of time a property is on the market - along with the quantity of recorded views - may lead a number of potential buyers to presume *the market is rejecting this particular home*. And therefore, these buyers could easily choose to overlook it as well.

As I said, you can't avoid the electronic footprint but you can minimise its effect.

I understand there is not much you can do about changes in personal circumstances. What you can control, however, is the agent you engage and your property's asking price.

BEWARE OF YOUR ELECTRONIC FOOTPRINT

Don't allow your marketing campaign to be crippled by engaging the 'biggest liar' to sell your home. Overpricing leads to your property sitting on the market for longer, the switching of agents, or perhaps not selling at all. Evidence of all these pitfalls will be clearly apparent online to everyone, ultimately forming negative judgements about your home.

In the past, if someone gave it a go, by 'dipping their toe in the water', so to speak, and in the process asked too much, no harm was done if the home failed to sell. Now, however, as described above, the result can be very damaging.

This highlights the need to obtain sound advice and get your pricing right, enabling you to sell your home in a reasonable time. Because the moment you advertise your home, the electronic footprint begins. So let's make sure you minimise its future impact.

BIGGEST FEARS OF HOMEOWNERS AND BUYERS

Over the many years I have been in real estate, I have seen a lot of emotions shown by sellers and buyers. But the most common emotion I have to deal with, and often it's not overtly obvious, is fear.

*Homeowners have a fear of selling too cheaply
and
Buyers have a fear of paying too much.*

And it's these simple fears that govern their actions and can often make both sellers and buyers appear unreasonable. However, understanding and accepting that these fears exist allows the competent agent to navigate their way to a successful sale.

Nearly all people can accept reality once shown it. They just need to be comfortable with the information they are relying on when determining the next step and what actions to take.

The word 'fair' is a good one because what sellers and buyers really want is the same. Sellers want to sell for a fair market price and buyers are happy to pay fair market value for the home they love.

Now 'fair' has a somewhat wideband and, as a trusted agent when selling, we always want the higher end of 'fair' for our clients. That's what we are employed to do. We are working for the seller not the buyer – or at least that is the way it should be.

So, the key is to provide as much information as required to make our client, the seller, comfortable with the decisions they make. But equally important is

BIGGEST FEARS OF HOMEOWNERS AND BUYERS

making sure the buyer is informed, provided with the necessary information, allowing them to also feel comfortable with paying the price we require.

As always, my job is to get the very best for my client, the home seller - to sell the home for the highest possible price, the best price I can achieve in the marketplace at any given time. But it's worth noting that the highest price is not always in line with the owner's expectations. So does this mean that the agent has failed in their duty to deliver? Not at all.

I often hear agents blame the owner when good offers are refused. But it's rarely the owner's fault!

I rarely find that it is greed that drives owners to want more than is realistically possible. More often, as mentioned earlier, it is fear. They do not want to feel they have undersold, and especially don't want to feel they could have done better. But once it can be demonstrated the offer is fair and, in many cases, very good, they comfortably move on and don't look back.

I often hear fellow real estate agents blame the owners when good offers are refused. But it's rarely the owner's fault. It's the agent's ... by lying in the first place to win the business, providing unrealistic hope and muddying the waters as to what is a good result. Not only have they done damage to their own outcomes but, worse still, they often cost their clients money, when good or even great opportunities are missed.

So, the competent, trusted agent will not only provide realistic expectations in the first place, but also keep you completely up-to-date with current market conditions – both good and bad. So, when the time comes to make a decision, you are making it with confidence and sound knowledge. And as we all know, knowledge is power.

BIGGEST FEARS OF HOMEOWNERS AND BUYERS

When people are considering selling, the first thing I always encourage them to do is their own research. Don't be put off; it's not that hard.

It's like selling your car privately. At first you have a vague idea on price. But after searching the internet, looking at comparable sales and current asking prices, you can quickly put an accurate value on the vehicle. And, consequently, sell it within a reasonable period of time.

It's worth noting, however, that if for whatever reason you are not getting any interest, you will inevitably reduce the price of your car, until it does sell. Isn't it amazing that nearly all people would have no problem with that logic, but when it comes to a home, they view it entirely differently? Granted, there is usually a lot more at stake ... but the logic remains true. Price too high and the market will overlook you.

Selling is selling, and that logic holds true for nearly all products. It's a matter of supply and demand determining price.

- *If demand is high and supply is low, prices will increase; and conversely*
- *If supply is high and demand low, prices will decrease.*

To research, just pretend you are a buyer of your own home and want to compare the pricing. Go online, check out the competition and perhaps go to some local open homes. More importantly, look at the most recent sales in your area and you will quickly get a fair idea of where your home will fit in the marketplace.

This is what buyers will do. It is highly unlikely a buyer will look at your home without having an idea of price. Therefore, if you overvalue your home and price it too high, you simply will not sell. What you will succeed in doing, though, is pushing those buyers towards viewing other homes that are more competitively priced, and ultimately assisting those to sell instead.

Don't let your home become stale.

The next important point is you can't be emotional when valuing your own home. Buyers don't put any tangible value on it just because your family grew up there or because you have great neighbours and wonderful memories. They simply compare. So, if your home doesn't stack up on paper with the competition, your property will sit, unsold.

You will rarely hear these words: 'My home had been on the market for a long time, and I got a great price!'

It will eventually become stale and, in most instances, sell in the future for less than you could have achieved had it been priced correctly from the beginning.

Always keep in mind, long-term advertising is merely promoting the fact your property remains on the market - unsold.

Now know, 'time' is a real and expensive enemy in a falling market. The harsh truth is whatever price you can achieve today is going to be less next week, or much less the following month.

One way to get an unbiased assessment of the value of your home is to engage a reputable licensed valuer. This will cost a few hundred dollars but can be well worth the effort and expense in determining the true value of your home.

It is important to note that real estate agents and licensed valuers are very different.

BIGGEST FEARS OF HOMEOWNERS AND BUYERS

Real estate agents give market opinions in an attempt to win your business. They usually quote in order to give hope of finding that elusive perfect buyer for your home. As mentioned, many agents deliberately quote well above market in an effort to buy your business.

Licensed valuers, once engaged, have already won your business. Therefore, they only deal with facts as they can be held legally accountable for their opinion.

By getting a licensed valuation, you now at least have a base to work from. It's worth noting, though, a competent agent should be able to achieve a slightly higher price than a conservative valuer's valuation.

Buyers are fearful too.

Over the years I have had countless serious buyers who I believed loved a particular home and I felt confident they would make a genuine attempt to buy it. But then they would make an offer well below market, and I'd struggle to understand why.

At first, I believed it was their effort at a hard negotiation strategy by starting low, very low. Early in my career, these low offers annoyed me. I felt I had completely wasted my time with a bargain hunter. Then I realised that in most cases, they were not bargain hunters; they were just fearful. They were scared of paying too much.

Their greatest fear was overpaying for the property. But they were genuine, had the budget and loved the home. And I always back my own ability to know when someone is emotionally invested or not. What they needed was guidance with reassurance. Focusing on their motives, and what they were trying to achieve, would allow them to comfortably make the decision they actually wanted to make - to buy the home at a fair price.

BIGGEST FEARS OF HOMEOWNERS AND BUYERS

At the time of drafting this chapter, I was in the middle of a negotiation selling an acreage property. The buyers loved it and, in their minds, they had assumed ownership. I was totally confident they were the right buyers for the property.

The owners had an expectation of \$2,300,000, which was realistic in the current market. The buyer's first offer, however, was \$2,035,000. And they gave me all the reasons why they believed this was fair and were not initially prepared to budge.

But that is when I really went to work. I found and presented all the evidence we had to substantiate our price. And after some soul searching and a reality check, several weeks later they purchased the property for \$2,340,000, some \$305,000 above their initial offer.

As I said, they were not bargain hunters; they just didn't want to pay too much. And even though I was able to eventually get them to a price that exceeded expectations, they were comfortable with their decision and the price they ultimately paid.

A win-win for all. We sold the home for more than the sellers were prepared to accept; the buyers got their dream home for a price they could afford. It doesn't get much better than that.

WHY AM I SELLING?

Do I actually NEED to move?

I know this may sound odd to some, but you really should know 'why' you are selling in the first place. You want your reasons for moving to be sound because the cost and hassle of selling, then moving, can be considerable.

I had clients recently who lived in a four-bedroom home with lounge, dining and family room. Their problem was they felt they needed an extra living area for their growing family. They particularly wanted a rumpus room.

Now, this was a young couple who had two children under 10 and they were quite open with me disclosing it would be a financial stretch for them to upgrade. But they did feel it was the right decision.

I noticed how pleasant and unused their formal lounge room appeared and asked them if they used it often. Their response was 'Not regularly, only for special occasions'.

Obvious to some, this area could easily serve as their rumpus room and save them the expense of moving. The formal lounge could simply be reinstated, to present the home at its best, when they could comfortably afford to make the move.

I always ask people why they are selling. Most of the time I get responses along the lines of, moving to Queensland; moving closer to the city; moving further out, and the list goes on. These aren't reasons for selling. These are destinations. Legitimate reasons would be, for example: I want to be closer to

WHY AM I SELLING? Do I actually NEED to move?

family; work transfer requirements; lower maintenance home; more room; warmer or colder climate etc.

When I am talking with potential clients, I always ask three questions – Where? Why? And When?

If they don't know the answers to at least two of the three, they are not going anywhere. So, make sure you have a clear purpose. It makes the required decisions that follow a little easier, especially when you focus on the motives and what you are trying to achieve.

IS IT WISE TO BUY BEFORE SELLING?

All too often people find out the hard way that buying before selling is not a good idea. So when I am asked ‘Should I buy before I sell?’, in most situations my answer is simple – ‘NO’. I feel there is a much greater risk to buy then sell than there is to sell then buy.

The only exception is in a very strong seller’s market, when prices are increasing at a great rate. But even then, you have to be careful.

Buying before you sell carries serious risk!

An example of how quickly markets can be affected by unforeseen external factors was demonstrated by COVID-19 in 2020.

Literally, in the space of two weeks, we saw a strong Sydney housing market come to a screeching halt, with substantial uncertainty and government restrictions creating confusion throughout the industry. Now, imagine you have just committed to purchase a new home and need to sell your existing property to complete the transaction. I am sure for most this would cause some serious stress and concern for one’s financial wellbeing.

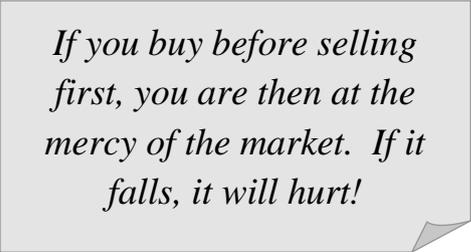
Ideally, you should be looking at selling your home, then buying in the same market. That way whatever the market is doing has little impact on you financially and you are in a stronger position, knowing exactly what you can afford to spend.

The risk is, and always has been, that once you have committed to purchase your next home, you are now in most cases faced with a timeframe - a timeframe that is usually tight to sell your existing property to enable you to meet the financial requirements of your purchase.

IS IT WISE TO BUY BEFORE SELLING?

If you can't sell within the timeframe, you can be faced with expensive funding costs through a bridging loan, and that's if you can get one! You may also experience anxiety having to deal with the potential loss of deposit.

Now, when you go looking for a home, most agents will actively encourage you to purchase immediately. They regularly offer the possibility of delayed settlements and also suggest that they handle the sale of your current home - all too often promising a higher than optimistic sale price on your current property in order to encourage you to commit and go with it. This happens time and again, with you naively thinking it is all going to be easier than it actually is.



If you buy before selling first, you are then at the mercy of the market. If it falls, it will hurt!

Now, here is where the major problem lies. In 20 plus years of working in real estate, my experience is that the overwhelming majority of owners believe their home is worth more than it actually is (myself included). It is called the '*endowment effect*' - where we view our own possessions more favourably or positively because they *are our own*.

So, let's paint the picture ... you go out looking for your next home and find one you love. You love it enough to take the risk and commit to this purchase before selling your existing home.

However, if you have done your budgets on an unrealistic sale price on your existing home, you could have a very real problem. Earlier in this book you may have read the case study of Michael and Trudi, which sums up the potential risks very well.

IS IT WISE TO BUY BEFORE SELLING?

My father, many years ago, told me this: ‘Under-estimate income, over-estimate expenses, and if it still looks workable, you should be okay.’ Sound advice!

Now, this advice was not directly related to real estate, but it holds true for most financial decisions.

Unfortunately, what most people do is under-estimate expenses and over-estimate income when buying and selling a home. And let's face it, given the large sums of money involved, as little as a 5% plus/minus variance can see a \$100,000 difference in the mortgage at the end of the transaction, or even more.

Now, if we push aside the endowment effect and believe that we are being conservative in the valuation of our existing home and confident that we can find a buyer quickly, remember 9/11, the Global Financial Crisis or perhaps

*Always under-estimate
income and over-
estimate expenses.*

Sound advice!

unexpected Federal election results. And, as mentioned earlier, the 2020 pandemic outbreak that affected markets worldwide. While Australia weathered this storm better than most, the shock on economic markets was no less dramatic.

External factors, beyond our control, can adversely affect the market, quickly. These factors, while extreme, may result in the shrinking of the buyer pool and a reduction in sale prices. The question is, ‘Is it worth the risk?’ The bottom line: I have heard and witnessed too many hard luck stories to say it is.

***If you buy first, your sale is at the mercy of the market.
If the market falls, it will hurt!***

IS IT WISE TO BUY BEFORE SELLING?

The following is a real story, with real names. It's my story.

About 15 years ago, my wife and I were in the wonderful position of owning our own home. It was very brief though. We saw an enticing block of land nearby, opposite bushland, and that was it - we decided to make a move.

We engaged a builder and lodged plans with council. We didn't want to sell our current home immediately, as that would mean we would have to move and rent, and then move again. At the time, with two small children, that seemed all too hard.

In hindsight it was a costly mistake. Having decided to stay put while our new home was being built, we found ourselves at the mercy of the market. We planned to sell and settle, just in time to make our final payment on the newly built home and then make our move.

Instead, we ended up being the owners of both homes with a huge mortgage.

Since we had purchased the land, the market had taken a downturn, and the home we were living in began losing value. We ended up selling our home for a price much less than we had counted on, and less than we could have achieved at the time of purchasing our new block of land. This ultimately created a rather upsetting hole in our budget for finishing our new home.

So, our timber window shutters and in-ground swimming pool had to wait a few more years.

We got there in the end, and have lived there very happily for 15 years and counting. But looking back, we realise we could have done things better.

Do not under-estimate the stress that can be experienced when your financial repayments are at a stretch. We had monthly loan repayments

IS IT WISE TO BUY BEFORE SELLING?

that we could not comfortably maintain long term, all with our existing home sitting on the market and going down in value, with few buyers, at that time, looking to buy.

We got through. But with this experience I can give this sound advice to all who will listen: with few exceptions, to buy before you sell carries serious risk.

IS NOW THE IDEAL TIME TO SELL?

A lot of people ask, 'When is the best time to sell?'

The answer is simple: when you feel the time is right for you, and, if upgrading, when you can afford it. That's the important issue, not so much what season it is or the state of the market.

Most people sell a home and then immediately buy another. So, as long as you buy and sell in the same market, you shouldn't go too far wrong in planning your move. Markets do move, but generally not at a pace that will have a notable impact when selling and then buying in the short term.

*Push your emotions aside
and only look at the
dollars and cents.*

As a rule, however, given you are likely to sell and buy in the same market, **you should aim to upgrade in a weak market**

and downgrade in a strong market. Let me demonstrate below ...

Planning an upgrade

Let's say your home is worth \$1,000,000 and you are looking to upgrade to a home at say \$1,200,000. (Please note, for the simplicity of this exercise, we will ignore changeover expenses for now.)

Current Home Sale Price	New Home Purchase Price	Changeover on new Purchase
\$1,000,000	\$1,200,000	\$200,000

IS NOW THE IDEAL TIME TO SELL?

When you are planning to upgrade in a rising market, you need to move more urgently to avoid increased exposure.

Adjusted figures - where the market increases by 10%

Current Home Sale Price	New Home Purchase Price	Changeover on new Purchase
\$1,100,000	\$1,320,000	\$220,000

So, whilst you are selling your home for more in this increased market, with most home sellers delighted with their achieved appreciation, don't celebrate too much! What you are actually witnessing is an increase in cost or an actual loss of \$20,000, when you consider the direct changeover amount.

If, however, you upgraded in a down market where your home value had dropped by 10%, the figures below reflect a more desirable outcome:

Current Home Sale Price	New Home Purchase Price	Changeover on new Purchase
\$1,000,000	\$1,200,000	\$200,000

Adjusted figures - where the market decreases by 10%

Current Home Sale Price	New Home Purchase Price	Changeover on new Purchase
\$900,000	\$1,080,000	\$180,000

Your changeover is now only \$180,000 and your mortgage is \$40,000 less than it would have been in the stronger market, illustrated earlier.

IS NOW THE IDEAL TIME TO SELL?

Unfortunately, so many people don't understand this and wait for that booming market. They feel better when they sell their own home for a higher price. But, unfortunately, they fail to realise that their next home has also increased in value, and the gap is now wider. So the move actually costs more in a booming market. Sometimes a lot more.

To be frank, you need to push the emotions aside and only look at the dollars and cents. You achieve your objective by getting the home you desire, but by upgrading in the down market, your mortgage is \$40,000 less, as in this example. The numbers don't lie.

Planning a downgrade

The opposite applies when downgrading. And you want to time your sale, if you can, at the peak of the market. Once again we will assume your home is worth \$1,000,000 and you are looking at downsizing to say an \$800,000 home.

Current Home Sale Price	New Home Purchase Price	Surplus on Sale Price
\$1,000,000	\$800,000	\$200,000

Adjusted figures - where the market increases by 10%

Current Home Sale Price	New Home Purchase Price	Surplus on Sale Price
\$1,100,000	\$880,000	\$220,000

But if the market is on the decline, the following less desirable scenario will occur:

Current Home Sale Price	New Home Purchase Price	Surplus on Sale Price
\$1,000,000	\$800,000	\$200,000

IS NOW THE IDEAL TIME TO SELL?

Adjusted figures - where the market decreases by 10%

Current Home Sale Price	New Home Purchase Price	Surplus on Sale Price
\$900,000	\$720,000	\$180,000

The difficulty is timing it just right. And it can be hard to know exactly what the market is going to do. But it's well worth taking the time to consider your options.

Yes, we would all like to sell in a booming market and be able to wait and buy in a slower one. But that is difficult to judge and full of potential risks. Going back to the 2014-2017 boom market in Sydney, I saw many situations where people sold high in 2014. They then decided to sit and wait until the market cooled off, only to find two years later they were 40-50% worse off – as the market just kept rising.

Sadly, due to their decision to delay, they had suffered a massive decrease in their buying power. They found themselves in a situation where they couldn't come close to affording a similar home to the one they sold, in the same area where they previously lived, as the same, or similar, home was now 40-50% more expensive.

If, however, you are able to time your sale and sell in a falling market, it can sometimes be worth the risk to sell and then rent. The key in this situation is to constantly pay close attention to the market and act accordingly. You need to be looking at the property price movements all the time - and I mean **ALL THE TIME!**

If you see your dream home - buy it. If not, you can continue to watch the market, waiting until it looks like it has bottomed out, and then buy. The difference in the end result can be substantial.

IS NOW THE IDEAL TIME TO SELL?

I had a number of clients that took this advice at the end of 2017. The market had turned and they decided to sell and rent. The interest they earned on the funds invested plus the lack of mortgage repayments more than offset the amount of rent they were paying. The market then proceeded to drop 15-20% over the next 18 months.

One of my clients sold at \$1,370,000 and was prepared to spend up to \$1,600,000 on their next home. We discussed their options and they decided to wait some 18 months before purchasing their next property.

When they found their dream home, I assisted them to buy through one of my competitors. The home was far superior to the one they sold, and they only had to pay \$1,325,000. Having paid less than what they sold for, they essentially upgraded their home and standard of living for next-to-nothing. The majority of the costs associated with their move were covered by the changeover profit.

Now I am not a clairvoyant, and it could have gone the other way. But for these clients, they felt it was worth the risk and it paid off handsomely. The key is to closely monitor the movements in the market and be prepared to act swiftly if things change.

Spring, summer, winter or autumn? A lot of people say that the spring/summer markets are the best. And, yes, a lot of property transactions occur during this time. The gardens look better, the days are longer and people generally feel happier. So it makes sense that this would be a good time to sell.

One major factor that a lot of people overlook, however, is that the competition at this time is also at its peak. During the spring/summer markets there are simply more properties for sale. Therefore, there are more alternatives for purchasers to consider, and ultimately buy, when viewing your home, amongst many.

IS NOW THE IDEAL TIME TO SELL?

Over the years, some of our best results have been achieved in the colder months. I feel this is because there are always people needing to buy at various times of the year. And, if you are only one of three possible properties that a particular buyer can consider, it stands to reason that your chances of a good sale are greater than if you are one of 10.

If I had to choose a particular time of year as a good time to come on the market, it would probably be the months just before spring. Competition is usually less intense and, with a great sale, you can be a cashed-up buyer ready to go, just when the usual spring surge begins, with lots of homes to choose from.

ARE YOU FINANCIALLY PREPARED FOR YOUR NEXT MOVE?

You would be astounded how many people who are considering selling their home begin this journey without knowing the answer to this fundamental question. They need to know what they can or cannot afford, so their boundaries for upgrading or relocating can be set.

Organising your finances first and foremost is crucial. And when I say organise, I don't mean just a basic preapproval, giving you an indication of how much you can borrow. That's because a basic preapproval is only based on providing simple information and answering a few questions with a bank officer, or worse, an indication from a lending device online. A lender has no obligation to issue a loan on the basis of that basic preapproval. Its purpose is only to give you a general idea of the amount you can apply to borrow. That's a wobbly starting point for making significant financial decisions.

If you are serious about making a move, and if you are not 100% assured of your finances, you need to get a complete preapproval. This is what most banks refer to as a 'conditional approval'.

This will only be given once the financial institution has verified income, employment and serviceability. All their checks and balances must be done. So, when you have found a property you want to purchase, the only box remaining to be ticked is the bank valuation of the property. This 'conditional approval' gives you full confidence that you can make a move on your next home, knowing finance is approved.

All too often, buyers will go out and find a home they love, based on an incomplete preapproval, only to find they have many more hoops to jump

ARE YOU FINANCIALLY PREPARED FOR YOUR NEXT MOVE?

through. And, in some cases, when full disclosure is made, they find they cannot borrow as much as they first thought.

This scenario is played out every week in real estate transactions. Buyers risk losing deposits and suffer the disappointment and frustration of financial complications, creating a whole lot of stress for all parties involved.

A 'conditional approval' is especially important when buying a home under auction conditions.

A 'conditional approval' is especially important when buying a home under auction conditions, as there is no cooling off period. When the property is sold by auction,

the highest bidder is required to pay a non-refundable 10% deposit immediately. You must be sure all is in place before risking such money.

Even under private treaty contracts, there is still a risk if you only have a basic preapproval. Most contracts are exchanged under a five business day 'cooling off' period, with a non-refundable 0.25% deposit made. That is \$2500 on a \$1 million property purchase.

The common problem, if all you have is a basic preapproval, is your bank will be unable to give you an unconditional approval within the five day period.

Therefore, exchanging contracts under cooling off and relying on extensions being granted becomes a somewhat risky strategy. If the owner will not grant you an extension to cool off and finance is not officially approved by the deadline, you have little choice but to rescind and forfeit your 0.25% deposit paid.

ARE YOU FINANCIALLY PREPARED FOR YOUR NEXT MOVE?

The other option is to negotiate a longer cooling off period when you make your offer. However, with most banks requesting 10 to 15 business days for full approval, this may be unacceptable to the seller and will definitely reduce the attractiveness of your offer.

When your bank gives you a 'conditional approval', you are under no obligation to see the lending through. It will simply be the assurance of a certain level of borrowings, valid for say 90 days, subject to the bank's valuation.

A further note as a warning to buyers with a 'conditional preapproval' when considering purchasing at auction - a bank valuation will be required prior to your final approval. So, if you are the successful bidder and then the bank valuation does not stack up, your financier is under no obligation to approve your loan to complete the property transaction.

In New South Wales, following the auction, once you have signed the contract, you are committed to purchase the property and, usually, a 10% deposit is paid. If, for any reason, you do not proceed with the purchase your deposit is forfeited. And, in extreme cases, you can be pursued for further losses as a result of a falling market.

WHAT IS THE BEST SELLING METHOD?

The two main methods when selling are *private treaty or auction*.

In recent times, auctions have gained a lot of momentum, particularly during boom markets with many properties selling well above reserve.

Auctions: not so much a competitive market situation, more so a comparative one.

So, given that properties are selling and achieving higher than reserve prices, an auction would appear the way to go. Are they or is it a mirage?

During this time of plenty, all properties were selling well and, at face value, all were achieving great prices. It was a seller's market. Auction success rates of 75 - 80% every week were the norm. In comparison, at this same time we were selling 100% of our listings by private treaty, with most selling within a few weeks and some not even making it through to their first weekend, with much better results, overall, than by auction.

People often tell me they got the best price selling at auction. While this may seem true, it's not. Thousands of individual sellers lose tens of thousands of dollars when selling by auction. Let's remember there are only two certainties at an auction:

1. *The only buyers we are sure went to their limit were the under-bidders - the ones who missed out; and*
2. *The successful buyer only stopped increasing their bid because bidder number 2 stopped.*

WHAT IS THE BEST SELLING METHOD?

Auction agents argue that the auction system evokes a competitive market situation. It's not so much a competitive situation, more so a comparative one.

What I mean is, the buyers are basing their offers on what another buyer is prepared to pay, and offering just a little bit more, irrespective of what their upper limit is. And once buyer number 2 drops out, the remaining bidder does not need to increase their bid to secure the property.

I had an agent recently argue the point, saying that the auction system is the only way to achieve the best price. My counter was, 'So you're telling me that every time you sell a property at auction, the successful buyer coincidentally always had a budget just \$1000 more than the under-bidder. That's incredible, don't you think?' He saw my point.

Now, when a seller's market shifts towards a buyer's market, auction success rates fall and clearance rates of 50% or less are more the norm. Think about

that – that means half fail. And failing to sell at auction is a bad thing. It highlights to everyone that no-one wanted to buy your home.

*Failing to sell at auction
is a bad thing.
It highlights to everyone
that no-one wanted to
buy your home.*

And then, of course, there is the expense of failed auctions to consider. Depending on the property, the sum involved can be many thousands of dollars, with

auctioneer fees and advertising campaigns. These expenses have to be paid regardless of success or failure. And where clearance rates of 50-60% are more typical, that equates to a lot of very unhappy, out-of-pocket clients.

Of course, they all start out with great enthusiasm, having been told by their auction agent that they will get a great price, perhaps even above market price,

WHAT IS THE BEST SELLING METHOD?

if they invest in an auction program with them. The agent is counting on bringing you on board in a fixed contract as a committed, invested vendor. Sadly, all too soon you crash and burn. That's particularly so if the auction is poorly supported and the bidding does not reach your property's reserve. Or worse still, your property does not attract a single bid – which is not uncommon in a poor market.

When considering an auction advertising campaign, always remember this - the biggest part of any advert is often the agent's name. So, all those unwitting and unsuccessful sellers have just parted with their hard-earned cash, promoting the agent that has ultimately damaged their property's market value.

When a property fails at auction it is labelled a 'lemon'. It is assumed that the owners either want too much or there is something wrong with the property.

Now, that may not be the case. Perhaps the right buyer is yet to be found. Or an interested buyer was not comfortable with the auction process and therefore did not attend.

The underlying problem is, in this current digital age, nearly every auction result is posted on the internet, on various sites, for all to see. Incredibly, they often display the highest unsuccessful bid too - that being the price the property was passed in at. Really, who benefits from this? It's certainly not the owner!

Now, let's say the 'right buyer' now shows up, eager to buy their next home, all excited and ready to go! They see the property but they also now know, from having done basic research, it was unsuccessful at auction and perhaps also know the price it was passed in at.

WHAT IS THE BEST SELLING METHOD?

Sure, they might love the home, and the asking price now on the property is within their budget. *But still, in the back of their minds, they have questions:*

- Why didn't it sell at auction?
- Why was the market prepared to only pay up to the passed-in price?

And that often leads to:

- Is there something wrong with the home?
- Are the owners asking too much?

And before you know it, they are talking themselves out of moving forward, or lowering their own expectations as to the value of the home.

There is also another reason why I am not an auction fan, and this is simply because too many buyers don't like auctions and avoid them. Sure, properties sell at auction but the unknown is how many genuine buyers did not attend due to their dislike of the auction process, deliberately avoiding this type of selling method.

I am sure many of you have done this when looking at buying a home. You scan the internet, look through the properties for sale, come across a home for auction 'no price' and you simply move on.

Why would you consider a method that turns away a good percentage of genuine buyers? Whereas, a buyer happy to buy at auction would be equally content buying using the private treaty method. Therefore, none of your potential buyers are excluded.

WHAT IS THE BEST SELLING METHOD?

Over the years, I have helped many people buy at auction successfully. And, almost inevitably, we have purchased the property under our predetermined limit. This is not to say that I am anti-auctions completely (perhaps 98%) but surely, if there is a better way that will get all buyers to their maximum, it's worth exploring.

Well, in my opinion there is. It's private treaty. But, private treaty done the correct way!

In our office, as with all offices, whenever a property is placed on the market, we are hoping for multiple buyers to compete against each other.

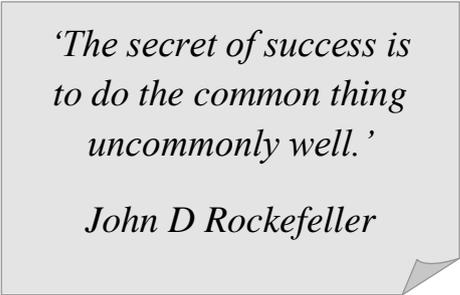
In recent times, as already mentioned, this was the case in many sales, with multiple buyers generally resulting in higher prices for our owners.

But, as I said earlier, in the auction system, each buyer is aware of the other buyers' offers and all buyers just creep up a little, until they have reached their limit or are successful.

Now, this will take a little explaining but, in essence, it is very simple.

When a buyer or buyers have been found, under private treaty they will normally make an offer. ***These offers should be strictly confidential.*** Unfortunately, in a lot of cases, unprofessional agents inform the buyer of other offers made.

No buyer should have the benefit of knowing the minimum they have to beat to secure the property - particularly as that minimum may be well below what they are prepared to pay.



'The secret of success is to do the common thing uncommonly well.'

John D Rockefeller

WHAT IS THE BEST SELLING METHOD?

Instead, the buyers should be asked to present their offer using what we call a 'buyer's declaration'.

If done correctly, and in the hands of a skilled negotiator, this 'buyer's declaration' is extremely powerful and will result in the buyer's best price every time.

The best way to show how this works is the following real-life case study.

While writing this book, I listed a well-presented home in the Hills District. The couple interviewed a variety of agents with most recommending auction.

A number of comparable properties had recently sold in the street and the surrounding area, so it was not difficult to put a realistic value on their home. We gave a range of \$1,200,000 to \$1,300,000 which was in line with what the owners were hoping to achieve and also reflected other agents' expectations. We were confident of achieving a result somewhere between \$1,250,000 and \$1,300,000.

We placed the property on the market with an asking price of \$1,300,000.

The home attracted a lot of interest and after the first week we had three serious buyers all prepared to sign contracts and leave a deposit at their best price.

We sold the property for \$1,325,000.

This represented \$25,000 above the asking price and \$75,000 more than the owners would have happily accepted.

To get such an impressive result you would assume the competition was hot, with lots of back and forth, with offers and counteroffers. But that was not the case. This is how we did it.

WHAT IS THE BEST SELLING METHOD?

We met with each of the three buyers, explained the situation, advising them this was their one and only chance to secure the property. Furthermore, if another buyer was prepared to pay more than what they were prepared to offer, they would not be afforded the opportunity to increase. We had each buyer sign a contract at their best price. They did this without any knowledge of what their competition were prepared to pay.

Buyer 1 signed at \$1,325,000

Buyer 2 signed at \$1,250,000

Buyer 3 signed at \$1,240,000

Without the knowledge of what buyer 2 was prepared to pay, we were able to get buyer 1 to their highest price - \$75,000 above their nearest rival.

In a competitive market, for us, exceeding the asking price is not uncommon. I advise all interested buyers that the advertised price is an indication only.

Now this situation allows a skilled agent to get individual buyers to their maximum. Sure, it can be stressful for the buyer, but if anyone is going to experience stress, as an agent, I don't want it to be my owner.

When buyers fall in love with a property, and this is the ONE, by not allowing them the advantage of knowing what the competition is prepared to pay, they are forced to make a decision based on their desire and fear of loss. They love the home, they have a certain budget, so as a result, by spending the time and explaining the situation, we can get that number and achieve a great sale... where frequently the successful purchaser is way above the rest of the pack.

WHAT IS THE BEST SELLING METHOD?

Now let's play the auction game.

Buyer 3 offers \$1,240,000

Outbid by buyer 2 with \$1,250,000

Buyer 3 bids, say, \$5000 more - \$1,255,000 and buys the property

The auctioneer starts clapping along with their real estate team, blissfully unaware they have just sold the property \$70,000 below the buyer's best price. Incredibly, this happens every weekend at real estate auctions.

To cement my case, I assisted this same client to buy their next home by auction. A smile comes to my face every time I reminisce.

Just picture my clients ... They found a home they absolutely loved. They were delighted, excited but extremely nervous. Nervous at the prospect of grappling with the auction process. Wanting to get ahead of the competition, anxious about missing out, they tried to give the listing agent an offer prior to the auction. The agent refused.

The offer they wanted to submit was \$1,300,000.

Auction day arrived. We had already sat down to discuss strategy, but now the time had come for them to determine the maximum they were prepared to pay. That figure was \$1,350,000. Everyone crossed their fingers and hoped for a good outcome. We all knew they would be shattered if they missed this one.

I was thrilled; they secured the property for \$1,280,000. A joyous \$70,000 less than they were comfortable paying.

When the hammer fell, everyone clapped and cheered, the auctioneer, staff and the home seller all with smiles ear-to-ear.

My clients could not believe their luck!

WHAT IS THE BEST SELLING METHOD?

They sold for \$75,000 more than they would have accepted and now purchased for \$70,000 less than they would have happily paid.

My clients, by selling the right way, and then buying at auction, were **\$145,000** better off than if they had followed a different path.

As a home seller, why would you do it any other way?

You must ensure you engage a skilled negotiator as your agent.

Understandably, this can be difficult to ascertain initially in your brief meeting. But ask questions on how they negotiate. Ask them to demonstrate what they know. You will soon get a feel of whether the agent is knowledgeable in what they are telling you or simply full of 'you know what'.

AGENT CONDITIONING

What is it? And how to avoid it.

The biggest complaint about agents is they 'promise the world' but deliver little - exaggerating prices and making promises they cannot possibly keep.

Your home doesn't suddenly lose a bedroom or get a smaller yard after you sign up with an agent!

As mentioned, a home seller will contact a number of agents to hear what they have to say and obtain pricing. Fair enough. But, unfortunately, all too often the owner picks the agent who quotes the highest price and offers the lowest fee.

Agents know this and therefore they load up the price to strengthen their chances of winning your business. If they don't win the battle for the listing, they have no chance of selling your house.

What usually happens is your chosen agent then locks you into a long-term agreement. They know they can't sell your home at the price they promised, so they work towards lowering your expectations. That is their number-one priority – not selling your home! If you have sold before, and got burnt, I am sure this sounds all too familiar.

Reducing your expectations is what the industry calls '*conditioning*'. Unbelievably, there have been training seminars in the past where this has been taught. 'Conditioning' is done in a number of ways, but mainly by the following:

- Negative Feedback
- Low Offers
- Activity Conditioning

Negative Feedback

This is a common strategy that agents adopt to assist in getting an owner's expectations down. They are supposedly relaying comments made by genuine buyers who inspect the property.

Here are a number of problems with this. Firstly, buyers naturally make negative comments about the home in an attempt to get the owner to accept a lower price. Secondly, a skilled and competent agent would already know the probable objections and should have discussed these with you, the owner, before going to market.

The home doesn't suddenly lose a bedroom or get a smaller yard after you sign up with an agent. Therefore, the agent should have priced the home accordingly, so as to overcome these particular objections from buyers.

Agents will regularly keep lists of these objections and then have meetings with the homeowners to relay these negative comments. The agent is relying on the owner becoming frustrated and concerned with the constant negative feedback, pushing them closer to reducing the price. Finally, the agent gets them to reduce to a price they should have started with in the first place.

Now, sitting down and discussing buyers' comments and objections is appropriate if they are discussing new things that can be easily rectified. But nearly always they are issues that were clearly evident to the agent before they signed up the owner.

AGENT CONDITIONING – What is it? And how to avoid it.

There's no point saying, for example, the buyers thought the road was too busy... when the property is located on a main road. We already know this and the agent should have already taken this into consideration when determining price in the first place.

A good agent has the confidence to already have discussed with you all the positive points your home has to offer but, equally, made you fully aware of what they perceive to be the negative aspects that could affect your sale.

For some homeowners, these negative comments will be hard to hear and difficult to accept. Your steep driveway or smallish bedrooms etc., which you have become very used to over the years and happily lived with, will have an effect on buyers' interest and subsequently price, when comparing your home to others on the market.

It's not the number of buyers that view your home that is important - it's the quality of the buyers!

You only need the one buyer to buy your home!

Also be wary of the overly flattering agent and always remember knowledge is power! Ask your prospective agents to discuss possible negative aspects of your home and what effect they will have on price. Better to know upfront when the agent is putting a value on your home, rather than later facing a deceptive agent using these issues as conditioning tools.

Low Offers

Agents must convey all offers to their owners. That's the law. Sometimes low genuine offers are received. However, all too often, the agent asks the buyers who are inspecting the home what they think about the price, even if they have

AGENT CONDITIONING – What is it? And how to avoid it

no interest in buying it. Now what's the point in asking someone who does not like your home for their opinion on price anyway?

The agents do this so over time they can paint a picture that 'buyers' expectations' on the value of your home are substantially lower than the asking price ... putting pressure on you to agree to reduce price, in line with the market.

One way to combat this conditioning is to insist that all genuine offers made are in writing with the buyer's details provided.

Activity Conditioning

This is a common one. Have you ever been looking to buy a home? You contact an agent and they start suggesting various properties. Frustratingly, these homes are nothing like you described to them or would ever buy. Why do they do this? The answer is simple. By taking another buyer through a property, even those not in a position to buy or where the home doesn't fit the buyer's criteria, the agent is then able to use the inspection to their advantage. They advise the owner that yet another buyer did not like their home, further tightening the screws when trying to persuade the owner to reduce their price.

This same logic is used when advertising the home with a price range or no price at all. **They want numbers of 'prospective buyers' through the home, even if those buyers can't afford it.** They then use those numbers and low offers from buyers, who are offering all they have, to support their argument to reduce price.

Let's face the facts. Of course, no-one wants to buy the home at the inflated price the home sellers were promised by the agent.

Remember, your home has not changed since the agent sat down with you telling you how fabulous it was and that they can sell it for a great price. The

AGENT CONDITIONING – What is it? And how to avoid it.

only thing that should have changed, perhaps, is your opinion of the agent's ethics and skill level. No wonder the real estate profession is regarded so poorly by the general public, when price expectations are rampantly inflated to win your business.

So protect yourself from agent conditioning by ensuring all agents fully justify their initial pricing. Make sure your agent provides a pricing guarantee before you sign with them, along with a clause that allows you to cancel their agreement at any time.

HOME PREPARATION

'Before anything else, preparation is the key to success.'

Alexander Graham Bell

It is hard to sell a property in the first couple of minutes of showing buyers through, but you can lose a sale in that same timeframe.

We all know first impressions are important. They set the mood for the inspection. The buyers, at least subconsciously, form an opinion on the state and condition of the home before they even walk through your door. It simply makes sense you want their first impression to be a positive one.

Now, ***you don't need to spend lots of money presenting your home to its fullest potential.*** However, you will need to spend some time and add some 'tender loving care' to show it at its best. You would be foolish not to invest a little time and effort to lift its appeal.

Make sure gardens are well maintained, lawns mowed and edges trimmed. The exterior of your home needs to be clean, free of rubbish and cobwebs. It needs to be inviting.

Buyers may well feel that if you, as the owner, can't look after basic presentation, then chances are that over time you have overlooked standard maintenance issues all homes require. That's not the message you want to send.

So, once the buyers have passed your front door, happy and full of expectations, how does the interior present and also, very importantly, does it **SMELL** pleasant? Make sure it is free of pet odours, last night's fry up, etc.

HOME PREPARATION

In preparing your home, make sure you step back and take a look, pretending you are a potential buyer looking at your home for the first time. Does it need a lick of paint? Are the carpets clean and in good order? And is the home free of clutter?

It can be worth spending a few hundred dollars with a professional cleaning company leading up to selling your home.

Always remember, your home does not need to be a display home but it does need to be the best you can reasonably make it. A good yardstick would be if you were having some important guests, who you would like to impress, coming over for dinner. That's the standard your presentation needs to be **EVERY TIME** a buyer is on their way.

The following is a worthwhile checklist Inside your home

Living areas

- ✓ De-clutter to improve the perception of space.
- ✓ For inspections, adjust the temperature to improve comfort. If it's hot, have the air conditioner cooling to a pleasant temperature. If it's cold, ensure the home is well heated. Better still, if you have a fireplace, let's fire that baby up!
- ✓ Maximise the use of natural light wherever possible.

Kitchen

- ✓ Clear your bench space to help the kitchen look larger and user friendly.
- ✓ Add a splash of colour with a bowl of fresh fruit.
- ✓ Thoroughly clean all the appliances in the kitchen, including your oven, cooktops and rangehood.

HOME PREPARATION

Bedrooms

- ✓ Make sure beds are made, and the rooms are free of clutter. Especially if you have teenagers!
- ✓ Maximise the floor space so bedrooms do not look small.
- ✓ Ensure built-in wardrobes are neat and, again, free of clutter. If they look messy, they look smaller.

General

- ✓ Ensure that the home smells and looks fresh and clean. Get rid of smoke, pet and cooking odours.
- ✓ Clean windows and mirrors throughout.
- ✓ Increase the sense of space by using mirrors and lighting. Also leave all internal doors open.
- ✓ Steam clean the carpets if needed.
- ✓ Paint any areas within the home that are flaking, marked or simply looking dull.
- ✓ Make sure all minor repairs are taken care of. Things like leaky taps and blown light bulbs are a quick fix.
- ✓ Brighten up your home with some fresh flowers.

Outside your home

Naturally, a well-presented exterior will help your property stand out and compete positively with others on the market. The presentation of your property can be the difference between accepting a mediocre selling price or achieving a great selling price.

With first impressions being so important, stand on the footpath and ask yourself, 'What will the buyer see?'

HOME PREPARATION

On the outside of your home

- ✓ Aim to highlight the positives and minimise the negatives.
- ✓ Freshen paintwork where required.
- ✓ Clean windows and repair any that are cracked or broken.
- ✓ Ensure gutters are clean.
- ✓ Remove cobwebs, wasp nests etc.

Enhancing your garden

- ✓ Add colour by re-barking/mulching the garden beds and adding colourful blooming plants.
- ✓ Maintain a neat lawn and remove noticeable weeds.
- ✓ Trim trees and shrubs that cover windows.
- ✓ Repair and straighten boundary fences where required.
- ✓ Heaven forbid – remove any graffiti!
- ✓ Keep the garden shed and garage neat and tidy.

Outdoor living

With outdoor living being such a large part of our lifestyle these days, an attractive, well-maintained entertaining area can make a big difference. Present it well, and buyers will visualise themselves enjoying your beautiful space.

And finally, pools. Many buyers view pools as hard work. So make sure the water is crystal clear and free of leaves, all ready for that refreshing swim.

The effort you put in before you sell could result in an increased sale price, which potentially may cover the costs of your move!

RENOVATIONS

Are they worth the effort?

In some rare circumstances, improvements equate to money well spent. This situation occurs when homes are in disrepair, making it hard to see their true value. These homes cannot be reasonably presented with just a bit of effort and nominal expense.

However, the reality for most situations is that for every dollar you invest in **major** renovations, you would be lucky to get 65% of what you spend back in your achieved selling price. This is because most homes present reasonably well, left as is, without any major investment in updates.

Perception versus reality shows

In recent times we have been inundated with reality TV shows, promoting home renovation and the value improvements can add. These shows give a false and misleading impression of the actual cost of these renovations. They often include only the material costs, while ignoring the 25 tradies working behind the scenes, employed by the show. The material costs are also frequently understated, being sourced cheaply from the shows' sponsors.

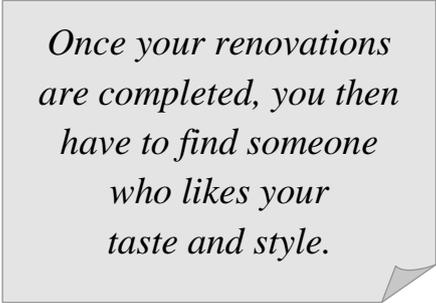
Renovations are beyond the capabilities of most of us. It would be difficult to duplicate these improvements in a similar timeframe or at anywhere near the same costs as these shows present.

I often have clients asking me if they should renovate the kitchen or bathroom before selling. Once again, if they are in total disrepair, maybe. But if they are clean, tidy and functional but just a bit dated, my answer is 'NO'. The average kitchen renovation for a family home costs anywhere between \$25,000 to

RENOVATIONS – Are they worth the effort?

\$40,000. And, as mentioned, you would be highly unlikely to get that back, let alone make a profit in return for your efforts.

The other problem with substantial renovations is that once they are completed, you now need to find someone who likes your taste and style. If the kitchen has not been updated and they are not paying for your outlay, I back myself that I can get them suitably excited about what can be done in the future, when the dollars are available. And, one thing I know for sure is that the picture people paint in their minds is remarkably better than the reality.



Once your renovations are completed, you then have to find someone who likes your taste and style.

Some of my best results have been on properties that need some work. A lot of buyers get excited about the improvements they can make to the home and my job is to continue that momentum and excitement to get a great result!

So, rather than putting in unwarranted effort and expense that won't necessarily give you any financial return, just present the home the best you can. Put your efforts, time and money into making your next home, the home of your dreams ... a home you can enjoy for many years, getting true value for your efforts.

DO YOU TRUST YOUR AGENT?

It's a simple question. Do you trust your agent? But how many people actually consider this fundamental and very important issue?

There are three factors to trusting your agent:

- Do you trust the agent's competency?
- Do you trust that they value and care for you?
- Do you trust their honesty?

As mentioned earlier, when I first started in the industry, I worked at John Luce Real Estate in West Pennant Hills.

John was a wonderful man and a great mentor. He was well respected by his peers, and his clients loved him. I remember asking him the following question when I first started.

'John, how have you survived for so long in an industry that traditionally sees many agents come and go? What is your secret?'

'Every time you are trusted to sell someone's home, treat it like you are selling your mother's home.'

John Luce

Humbly, he went on to say that there was no secret or magic formula. But there were a few fundamentals that you should never forget.

Firstly, trust is not given; you have to earn it. But when you finally win a client over and show them you are worthy of their trust, *never, ever* let them down. And if you always do what you say you will, while placing their interests ahead of your own, these clients will not only become friends, but ultimately your greatest allies and promoters of your business.

DO YOU TRUST YOUR AGENT?

He went on to say there are two things he is 100% sure of in the real estate industry:

- 1 If you do a great job you have a chance you will be recommended.
- 2 If you do a poor job, you are guaranteed the client will tell everyone they know that you're a dud.

So which agent do you want to be?

If you don't trust your agent, or the person trying to win your business, you should not be doing business with them.

Secondly, he simply said that every time you are trusted to sell someone's home, treat it like you are selling your mother's home. We all love our mums, so whatever actions or discussions need to take place, talk with your clients as openly as you would with your mother.

John said if you do this, it does not mean you won't make mistakes ...

but you will never make or suggest actions that you know are wrong or harmful to your clients.

Do this and you will have a long and successful career, and you will be able to sleep easy at night.

Sadly, John is no longer with us. He lost his battle with cancer many years ago, passing away well before his time. He will always be missed by the many he served well throughout his considerable career in real estate.

I will always value his words of wisdom and admire the man that he was. The world lost someone special when we farewelled John Luce.

DO YOU TRUST YOUR AGENT?

What information should I share with my agent?

Without doubt, trust is a very important issue when engaging an agent to sell your home. However, you may be questioning the amount of disclosure you are prepared to extend to your agent. Every owner has their own reasons for selling. These reasons might include one of the following:

- We are getting divorced.
- I lost my job.
- We can no longer afford the home.
- We have bad neighbours.
- My spouse has been offered a job transfer.
- We have purchased another home ... and the list goes on.

Firstly, the basics. If you don't trust your agent, or the person trying to win your business, you should not be doing business with them, so tell them nothing.

If, however, you have total confidence in your choice of agent, you can take comfort, knowing that person has your best interests at heart and would not do anything detrimental to you or the sale of your home.

*'It takes 20 years to
build a reputation and
five minutes to ruin it.
If you think about that,
you'll do things
differently.'*

Warren Buffett

It is most important that you're comfortable dealing with your agent and crucial that you inform them of all relevant information regarding yourself and the sale of your home.

DO YOU TRUST YOUR AGENT?

Of utmost importance are any timeframe constraints you are under. This is critical information.

Some people with deadlines believe that if their agent knows they are under pressure, they will orchestrate the sale of the home to the first buyer that comes along - selling at any price, knowing the owners will be under duress to take it.

An untrustworthy or unskilled agent may even tell prospective buyers of your dilemma – which of course would be disastrous and unethical. But a skilled, trustworthy agent will take all information on board and proceed to manage the process, while taking your particular needs into account.

I once listed a property but unbeknown to me the bank was putting pressure on the owners and was in the final stages of taking 'mortgagee in possession'.

This only came to my attention when a bank manager contacted me to confirm the owners were actually on the market. He went on to ask many questions.

When I contacted my client to get approval to talk with their bank manager, I asked them why they hadn't informed me of their predicament. Of course they apologised, but insisted that friends had advised them to be secretive.

I asked them if they trusted me, and their response was 'yes'. So armed with their approval, I dealt with the bank and was able to negotiate extra time to find a suitable buyer, at a price we were all happy with.

Now, this story ended well, this time. Nonetheless, it could have easily gone the other way. And once financiers get to a certain legal point - down the forced sale road - there is no turning back and nothing can be done.

Information given to me, as to the reasons behind someone selling, is strictly confidential and has nothing to do with the value of the home. Therefore, I tell no-one. Unfortunately, too many agents tell all. Some even advertise the

DO YOU TRUST YOUR AGENT?

reasons for selling, like 'Vendor Committed Elsewhere'. I have even seen an advertisement advising of a divorce.

I have a standard response when buyers ask, 'Why are they selling?' The reply should always be, 'The owners are relocating'.

This is not untrue! I have rarely sold a home where the owners don't move out. And, in almost all instances, the buyer just nods, totally satisfied with the response.

So, to recap, ***if you don't trust the agent, tell them nothing, and don't do business with them.*** Instead, choose the right agent, ensure they are well informed and don't hesitate to advise them of why you are selling. Your interests will be well looked after, and this knowledge may be important in allowing them to get the best possible outcome for you.

Also, if you are aware of any issues with your home itself, let your agent know. Issues might include things like past or present termite damage, water damage, leaky showers, non-compliant works or structural damage. We need to know to enable us to manage buyers appropriately.

You see, in nearly all sales, a pest and building inspection will be done. And these potential issues, which may not be apparent initially, will come out. And believe me, it is a lot more difficult to deal with these concerns after the inspection has taken place than before.

Pest and building inspections by nature are written in the negative. The reason for this is to protect the inspector from any later repercussions. So, if buyers are aware of what will almost definitely come out in a report, they are more likely to move forward with the sale. They feel more comfortable knowing nothing has been hidden or misrepresented to them.

DO YOU TRUST YOUR AGENT?

Many sales have been lost because of minor issues becoming big issues, once a report has been done. If, however, as the agent, I am aware of these matters, I can introduce them and downplay their importance at the appropriate time, rather than be on the defensive after the event, with the buyer ready to pull out of the purchase.

Just as it is important that you, the seller, have trust in the agent, buyers also like to feel they can trust them as well. Advising the buyer of obvious issues, before they find out from another source, helps to establish this trust. Consequently, they are far more likely to listen to the agent's advice and assurances as the process moves forward than if the alternative occurs.

Trust is very important to me and, as mentioned, it's earned not simply given. When owners refer to me as their agent, that's the time I feel most proud of what I have accomplished in my career. We have doctors and lawyers about whom we think exclusively. Why not agents?

If you are reading this book, I would be honoured if you contacted me to arrange specific advice on your property and your circumstances.

ADVERTISING

Advertising involves promoting the home in various ways but usually can be summed up into internet advertising and print media.

There is little difference between agents as far as where they advertise. There can, however, be a massive difference in what they charge you for the advertising – so beware!

The advertising that I believe is most beneficial and where you receive the most bang for your buck includes:

Internet Advertising ✓
For Sale Sign ✓
Brochure Pack ✓

Internet Advertising

All agents have access to the same advertising formats and, in most cases, they will advertise on the two main internet portals - Realestate.com.au and Domain.com.au.

There are many other smaller sites but, certainly in the Sydney market, these are the main two. The reality is that almost 100% of buyers that are looking for a home will visit these websites. So, therefore, it is almost impossible for a fresh property to go unnoticed by the market when promoted there.

When I first started in real estate over 20 years ago, internet advertising did not exist. Back in the day, people would come to the office and let you know their

ADVERTISING

requirements and price range. We would then proceed to show them a number of homes. But as I have stated before, this has now been completely reversed.

Buyers now source a property before they source the agent. What that means is they go online, select their criteria and press enter ... all the homes on the market will then appear that fit the description.

They work through the list, pick the properties of interest and then, and only then, contact the agent selling the home or visit scheduled open homes.

Buyers now source the property before they source the agent. This is a complete reversal on days gone by!

'For Sale' Signs

Many owners over the years have stated they do not like nor want a sign. And whilst I can certainly sell homes without them, not having a sign takes away potential opportunities that only exist when having one.

There are two main reasons why signs are beneficial. Firstly, they attract people who see the sign by chance and secondly, they create interest from parties not proactively looking on the internet. They are a silent 24-hour salesperson.

It does not matter why someone has come to an area looking to buy a home, but when they do, serious buyers always have a drive around.

A buyer might go and have a look at a home around the corner that is listed with a competitor, and they might like it. Yet, nearly all will then drive around

ADVERTISING

the local streets, checking out the neighbourhood before committing. They see another 'For Sale' sign, like the look of the home, and make an enquiry. It would be foolish to miss out on such a high-quality source of buyers by choosing not to have a sign.

I have not done this recently, but years ago, before internet advertising, I tracked my entire sign enquiry. I found around 70% of my sales could be traced back to the initial contact from a 'For Sale' sign.

Although I am sure this percentage is much lower today, the quality would still be the same. Serious buyers respond to 'For Sale' signs and often these serious buyers are prepared to pay more.

Looking back, I used to love the late Sunday afternoon calls from signs. While some of my fellow agents considered them a waste of time, I craved them. I always thought there was a good possibility these calls were from sellers who had just sold on Saturday and were keen and highly motivated to find their new home ... and this was often the case.

Remembering, *we don't know where a buyer is going to come from.* It can be as simple as a neighbour or local resident knowing someone who is looking to buy. They see the sign and let their friends or family know about the opportunity. These people are not looking on the internet, so without a 'For Sale' sign they would not act.

The wonderful thing about this local source is they have inevitably talked up their own area or street. So the buyers already have a positive vibe when we meet and speak with them.

In recent times, I put a property on the market which had previously been with another agent. That agent did not have a 'For Sale' sign.

I convinced the owner of the benefits of a sign. Interestingly, we sold the home to the son of a lovely lady who lived at the other end of the street. Whilst the

house had been on the market previously, she had been unaware of this. But when she saw our 'For Sale' sign, she made contact and the rest is history, with a very happy ending.

Brochure Pack

The only other advertising material I would recommend is a brochure pack. Flyers are useful as handouts, providing professional reference material buyers can refer to later. These usually contain several key photos, description and floor plan; they enable your property to remain fresh in the buyer's mind and provide an instant reference point. This is very useful when the buyers see a number of properties, often confusing the details of each. We need your home to stand out at the forefront in their minds when they're sitting down, later that evening, and going through their options.

We also distribute JUST LISTED flyers from this brochure pack. Once again, this captures any potential buyers in the local area that aren't actively looking on the internet.

In contrast, you are wise to avoid expensive advertising that has little impact on attracting buyers:

In-house Agency Group Brochures ✘
Local Newspaper Ads ✘
Large Newspaper Promotion ✘

Avoid costly real estate brand-produced magazines or posh booklets.

These promote your suburb along with many other distant suburbs, scattered across your city, state or perhaps even the whole country. In almost all cases, this is a complete waste of a home seller's money.

The franchises produce thousands of these at the owner's expense. They are distributed throughout the franchise network often ending up in doctors'

ADVERTISING

waiting rooms and eateries – of little or no benefit to you, the home seller who is footing the bill.

The agent may boast their circulation is 10,000 plus copies state-wide. But what good is that, if they are promoting your property to people who cannot afford it or people not interested in living in your area? All the magazine achieves is the promotion of their agency and its brand – a common real estate trick at your expense.

Again, think twice about allowing your hard-earned dollars to be spent on local paper advertising, in those areas where local papers still exist. The majority of these home-delivered promotions end up in the recycling bin – unread! Here again, the agent is promoting their office and brand, endeavouring primarily to attract local sellers, not buyers!

Excessive advertising that is unlikely to attract a buyer for your home is only promoting the agent and their agency.

And all at your expense!

Don't fall for it.

HOW TO ATTRACT GENUINE BUYERS

Setting and displaying the right price is crucial, as it is nearly always in the early stages of a home entering the market that the best prices are achieved.

So, getting the price wrong, either too high or too low, can end up costing you thousands.

When you look at real estate advertising, you will see a variety of methods regarding the promotion of price expectations. These include:

- * Just listed
- * Price on application
- * Price range
- * Offers over
- * Expected bidding from
- * An actual 'asking price'

Agents have varying opinions as to the best method for achieving the highest price. But, I can tell you without a moment's hesitation, ***the best method, by far, is to simply put an 'asking price' on the property.*** How do I know this? Simple - the buyers like it! Buyers are attracted to properties they know are within their budget.

It's like when you go to a retail store to buy clothes, furniture etc. and then face one of the most frustrating things - the items have no price tag displayed. It drives most people mad. They think the item is way too expensive, with the store unwilling to openly promote the price – so buyers simply move on.

This is the same mentality most home buyers share. ***Opportunities are lost with buyers bypassing homes that have no displayed price.***

HOW TO ATTRACT GENUINE BUYERS

The other problem is that you also run the risk of attracting buyers who do not have the budget to buy your home. These buyers subsequently make offers well below expectations and, sadly too often, this is exactly what agents who adopt this no-price policy seek. They then use this information to condition you, as the owner, to lower your expectations.

Putting a price range can sometimes be worse than putting no price at all. It is a very dangerous way to promote your home. And the danger is to you, the owner, not the agent.

It's obvious that by putting a range, you are in essence promoting the least that you are likely to accept - the bottom of your range. You're already playing your hand, with your cards laid flat, face-up on the table. Why would you ever do that? It only helps the agent – not you.

You are far better off promoting your property with a single asking price.

An interested buyer is almost inevitably going to concentrate on the lower price in the range. And even if initially that buyer considered the home to be fantastic and worth every cent of the top of

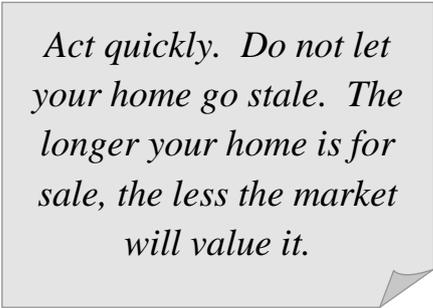
the range, they've already been led to believe that you, the owner, will consider less.

So, unless multiple buyers are clamouring over each other to buy the home, it is almost certain to be undersold. That's particularly so in a normal or slow market, where there are rarely multiple buyers; often there is only one serious buyer. So, as sellers and agents, let's at least keep our minimum acceptable price a secret between us, while the buyer starts to play the negotiation game.

HOW TO ATTRACT GENUINE BUYERS

It's almost inevitable the owner's expectations are at the top of the range. Many agents will, however, still encourage the owner to promote their home using a price range.

The reason the agent does this is for self-interest, as they know the price range method will potentially attract more inspections. However, the vast majority of those potential buyers will not have the budget to meet the owner's expectations, as they will be focusing on the lower price - a price the agent has assured the owner they will exceed.



Act quickly. Do not let your home go stale. The longer your home is for sale, the less the market will value it.

But we know otherwise! In essence the agent is using this price range method as a 'conditioning tool' – citing the fact that there have been many inspections, with the only interest received so far at the lower end of the price range. ***However, this method, by nature, attracts the lower-end buyers.***

And why would you ever want the one genuine buyer, with the budget to buy your home, to compete with those with far lower budgets? We are just going back to the earlier scenario discussed of the strong buyer, with the biggest budget, only having to pay a little more than the poorer buyer, to buy the property. It just does not make good economic sense.

And this is where so many agents, and consequently owners, come unstuck.

You are far better off promoting your property with a single asking price. Buyers are attracted to properties within their budgets and are therefore more likely to act, assuming they like the home.

HOW TO ATTRACT GENUINE BUYERS

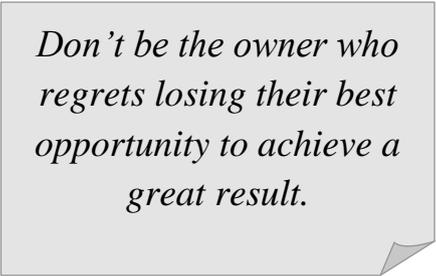
It also stops buyers without the budget wasting everyone's time and effort. There is nothing more stressful and frustrating than rushing around, getting your home prepared for an inspection, full of hope and expectations, only to find the buyer's budget is nowhere near the price you would be happy to sell for, and well below that which the agent promised you.

Act quickly. Do not let your home go stale!

What is important in selling your home is how swiftly you react, if no interest is being shown at the price you market your home.

If you have chosen your agent wisely, they have given you a realistic estimate of what your home should fetch. The way I do business is to firstly get agreement on the expected sale price. Once we have that base, then by all means we can try higher for a period of time, just to explore the opportunity of a magic-buyer prepared to pay above market for their dream home.

The buyers who will pay the most, nearly always show themselves early. So if there is no interest, then we quickly have to reduce in line with original estimates, to make the property more competitive and avoid the risk of it becoming stale.



Don't be the owner who regrets losing their best opportunity to achieve a great result.

What I personally find important is to make sure the seller has a complete understanding of the likely sale price. This differs completely from those agents who lie, giving false hope - at an exaggerated price - simply to win the business in the first place.

What these agents do is falsely raise the price expectations of their owners. Consequently, when a genuine offer hits the table, at a price that represents a

HOW TO ATTRACT GENUINE BUYERS

great sale, it can be so far from the price promised that the owners reject it. And unfortunately, it could prove to be the best opportunity they will get. This is not the owner's fault; it's the agent's. But sadly the owner is the one that pays the penalty.

My advice is this ... Put a price on your property, based on realistic expectations. And react to the market as necessary. Do this with a trusted and competent agent by your side, and your chances of getting a great result, with the minimum of stress, dramatically increase.

OPEN HOMES - SHOULD WE DO THEM?

Firstly, let me say that I am not a fan of 'open homes'.

And up until only a few years ago, I never did one. But frankly, the real estate market has changed a lot over the last decade or so, and now buyers expect that all properties will be open at some stage.

Some buyers are reluctant to deal with agents and only go to open homes. They don't like contacting agents directly and so you never hear from them.

Some owners insist this is fine – saying, 'Let's just deal with buyers that wish to make an appointment'. They refuse to allow open homes. And I am okay with that. But to choose to exclude a group of buyers that potentially may include the one prepared to offer you the best price, just doesn't make good sense.

What helped me change my mind was the number of times I would deal with buyers who had clenched in their hand a list obtained from the internet detailing all the open homes in the area, with their times. This is how buyers work these days!

I eventually decided to run an open home and do my own research. What I found stunned me a little; I was forced to make a change. This is what happened.

Every buyer that turned up to the open home, I asked, 'Why did you not call me to arrange an inspection?' And, on numerous occasions, with a puzzled expression they responded, 'We don't call any agents'.

OPEN HOMES – SHOULD WE DO THEM?

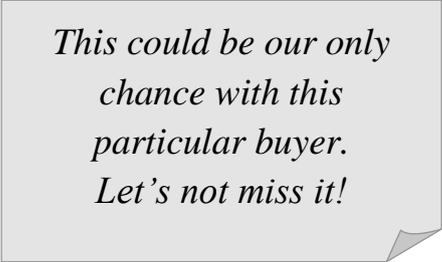
It was actually one of the buyers who did not call anyone who ended up buying the home - for a price well beyond expectations. And what was, at the time, a street record.

This was a buyer I would never have had the opportunity to deal with, let alone get the best possible price for my owner, but for the open home!

And, yes, there were countless non-buyers that turned up. You know, nosy neighbours or those just curious, looking for decorating ideas. But it was well worth the hassle and effort.

The value of inspections by appointment ...

I much prefer to do inspections one on one. You should never list with an agent who is only prepared to do open homes. A private inspection with a genuine buyer cannot be beaten for exploring the possibilities ... in this situation I get a good understanding of what they are looking for, their reasons for buying in the area and how much they are willing to spend.



*This could be our only
chance with this
particular buyer.
Let's not miss it!*

And this is still my preferred method, and without doubt the most successful overall.

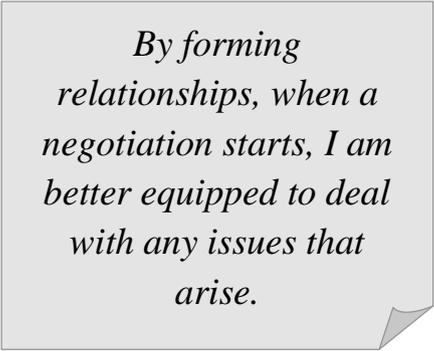
By going to this effort, it allows us to learn more about our buyers, form a stronger relationship and enables us to focus on the motives of the purchase rather than just dealing with price.

OPEN HOMES – SHOULD WE DO THEM?

Price is always important, but it could be other hidden factors that determine what home they will ultimately buy.

It could involve 'Aunt Mary' who minds the children after school and lives around the corner from one of our homes. The location of that particular home, therefore, is worth more to this one buyer than to another. It could be a certain school, or transport availability, sporting fields, bush reserves... the list goes on.

We can find out what motivates the buyers. We can determine how long they have been looking, what they have missed and what they almost purchased in the past. This allows us to build an image, and a strategy, of how best to service and deal with these particular people. There is no way you can do that in 60 seconds when taking down details at the door of an open home.



By forming relationships, when a negotiation starts, I am better equipped to deal with any issues that arise.

Before signing with an agent, ask if they do inspections by appointment. Make sure they are prepared to be flexible and work in well with buyers.

Many agents today have lost the ability or art of actually 'selling'. In fact, many never had it to begin with. They are predominantly open home agents, standing at the door, taking names and numbers – which a 10-year-old could do! These agents simply respond to interested buyers when questions and offers are made to them, taking no initiative, nor proactively engaging prospective buyers to make your home stand out.

OPEN HOMES – SHOULD WE DO THEM?

A relationship with buyers is just as important as the relationship the agent has with the owners. Forming this relationship allows the buyers to become comfortable with the agent and the process. It also allows me, as the agent, to get behind the natural barrier that exists between agent and buyers when we initially meet.

Buyers are wary of telling the agent too much information. But it's the information they hold back that is usually crucial in the decision-making process. Therefore, I need to find out as much as possible to better serve their needs, and of course enable me to get the very best price, from the best buyer, for my owner.

By forming that relationship, when a negotiation starts, I am better equipped to deal with any issues that arise. But, equally important, the buyer is more likely than not to follow the lead of someone they are familiar with. So when I need to ask them to do something or lead them to act or suggest the next step they need to take, they are more inclined to follow the advice.

I never lose focus on who is paying me and for whom I am working – that is of course 'the seller'. But by finding out all the facts, finding out all the needs and wants, I can find the buyers a home they are going to love. And when people find a home they love, their greatest fear is missing out, and they are therefore more likely to pay their best price to secure the home.

So, it simply makes sense to have strong relationships with both sellers and buyers, and this, unfortunately, is a skill sadly lost to most in the industry today.

Open homes as a negotiating tool ...

What I do, however, is use the prospect of the open home as a means of getting genuinely interested buyers, who love the home, to act more quickly than they normally would. They are often prepared to jump through hoops to avoid the

OPEN HOMES – SHOULD WE DO THEM?

scheduled open home, which carries the risk of introducing another interested purchaser.

The assurance of taking the home off the market and securing the sale, prior to the next open home, has seen many great sales results - even in a poor market.

What actually happens is, when a buyer sees a home they love, they believe everyone else will love it too. Even if the reality is that they are the only buyer, at that time, prepared to buy and pay the price we are looking for.

Their greatest fear is they will miss their opportunity and consequently they often try to buy the property prior to the scheduled open home. And this is our opportunity to receive the best price from them.

What is important undoubtedly is that if you go down the road of doing an open home, it must be done right. Personal details from the buyers must be obtained, and there must be at least two agents at every open home - not just a single agent taking names, then allowing people to wander through the home, too comfortable in the knowledge that no-one is watching them. There must always be an agent inside the home, listening, answering questions, doing what an agent should do and actively engaging buyers and working to get the best possible outcome.

A good agent always follows up. The poor agent sits, waits and hopes for a buyer to contact them.

And then there is the follow-up. It still stuns me today that agents will do an open home and not get back in contact for feedback from everyone who attended. Surely, it's the price of admittance that an agent can call and discuss what these prospective buyers thought about the home.

OPEN HOMES – SHOULD WE DO THEM?

One thing I know for sure is that many of my most successful sales started from a simple follow-up phone call. By asking questions, analysing responses, and directing actions, I can assist buyers to begin the process. And remember, you can't finish a negotiation if it does not start in the first place.

So yes, open homes do have their benefits and are worthwhile. Maybe even essential. In spite of that, it is important that your agent is prepared to make time available for all genuine, qualified buyers. Don't ever go with an agent that only allows buyers to view homes during scheduled open home times. Beware, there are plenty that do this!

Nothing worse than hiring an agent who is difficult to reach

So if your agent is flexible, remember you need to be too.

regardless of what time you are calling. Remember, if you can't contact and speak with your agent, neither can the buyers.

If a hot buyer calls on your agent's day off, you should expect your agent to do their very best to cater for that buyer. A good agent will not risk the buyers looking elsewhere and settling on something else, without at least having the opportunity to consider your property first.

So, ensure your agent is flexible about time off and is prepared to answer their mobile outside of normal business hours. This benefits both you and your potential buyers. We must make it as easy as possible for the buyer to navigate the buying process, while offering and paying their highest possible price. It is crucial that the hot buyers have good access to your home. So if the agent is flexible, remember you need to be too. Your home needs to be available and ready for inspections at short notice.

OPEN HOMES – SHOULD WE DO THEM?

I always tell my clients, if we ring to make an appointment and it's inconvenient, we will try to make another time. If, however, we say we *need* to come through, please do all that is necessary to make this happen.

This could be our only chance with this particular buyer, so let's make the best of it. The agent isn't there to waste your time or theirs. So often, a little inconvenience leads to getting a great sale result - which, of course, makes it worth the effort.

LISTEN TO YOUR AGENT

This is an important chapter. You have gone through the process of choosing an agent. Hopefully you have grilled them on technique and are satisfied that you have made the right choice. But, all too often, many owners even then feel they know more about the market than the agent.

Okay, *I understand the reputation of real estate agents*. They promise you the world, sign you up, condition you down in expectations and then reduce your asking price. I get it! But if you have followed the advice in this book, chances are you have made a wise choice. You have chosen a skilled, knowledgeable agent ... so please listen to him or her!

This does not mean that you blindly follow their advice. But, once again, the right agent will be able to support their recommendations with evidence. It's critical to not let too much emotion get in the way of the right decision.

Always remember, you need to be objective and realistic about price, as it's in your best financial interests to do so.

The problem most owners experience is that they look more favourably on their own home than the buyers do. Owners subconsciously place non-tangible value on the home because, for instance, they had their families grow up there, with fantastic memories and so on and so on. As touched on briefly before, there is actually a term for it. It's called the '*endowment effect*'.

*'The **endowment effect** refers to an emotional bias that causes individuals to value an owned object higher, often irrationally, than its **market value**.'*

Akhilesh Ganti – Investopedia.com

Buyers, however, only compare. They compare how your home stacks up to the rest of the market and they are objective and critical. So you have to take a step back and look at how your own home compares on paper to the rest on the market. A good way to do this is to no longer think of the property as your home but as an asset that you need to get the best price for, allowing you to make your move.

So, the reality is this: If your home is not selling, your agent is going to sit down with you and discuss reducing price. You must always remember that the main barrier stopping a property from selling is its price.

The longer your property is on the market, the less the market will value it.

When I first started my career in real estate the market was tough and I remember arguing this very point with my mentor. I gave all the excuses as to why some of the homes were not selling. He stopped me and said, 'If you were

to reduce all your properties by 50% today would they sell?' My response was obviously: 'Yes they would.'

Now that's being ridiculous. You would not actually reduce 50% in price, but it proved the point. If a home is not selling and the price is reduced enough, it becomes desirable in the marketplace - demand increases and it sells.

LISTEN TO YOUR AGENT

The trick is having the price set at a point that attracts buyers but does not sell the home too cheaply. Bear in mind, however, that if the price is too high, you will scare the buyers away. In actual fact, when your price is too high, you simply help other homes to sell – as they will be more attractive.

I always say there are three outcomes when a home enters the market:

1. *No-one wants to look at the property.*
2. *People are looking but no-one is trying to buy.*
3. *People are looking and attempts to buy are made.*

Now, in a normal market, if 1 and 2 persist, you are left with no alternative but to reduce the price.

If number 3 is occurring, that is good. Even if the offers to buy are not good enough, that's okay. We let them go. But at least we know we are close enough with price for a bite.

In a falling market you can continue to chase the market, or get real about pricing.

You must always be aware of how long your property is on the market. The longer it is, the less the market will value it. This is not rocket science; we all know that whatever the product, if it does not sell or attract suitable interest, then you reduce the price until it does.

That's selling 1 0 1.

I am always telling buyers that their personal situation and budget limitation does not affect the value of the home they are trying to buy. They have to compete with the rest of the market.

LISTEN TO YOUR AGENT

Similarly, an owner's personal situation does not affect the value of their own home. Just because someone needs or wants a certain price, this does not magically transfer to the selling price. It still has to compete with the rest of the market.

Remember, as I mentioned earlier, it's important to get pricing right. Too high and you scare away potential buyers. Too low and the house sells too cheaply.

The important thing about pricing is to be realistic. By doing so, the chances of selling dramatically increase, as well as the likelihood of achieving a great price!

This is especially relevant in a falling market.

Think about an escalator and imagine each downward step represents a price in the real estate market. You jump on the first step and it's going down. However, the true market value of your home is already on a lower step. You don't sell, and are forced to reduce your price. But by the time you do, unfortunately, the escalator has continued to move down and the market value has already fallen to another step.

Just know this, in a falling market, time is your enemy. The price you can achieve today will be better than the price next week and much better than the price next month.

You can continue chasing the market or you can get real about your pricing. You need to reduce enough to catch the market as it passes through. Failure to do so will see you sell for far less than what you could have

LISTEN TO YOUR AGENT

- less than you would have achieved had you priced the house correctly in the first place.

I have been in a falling Sydney market several times and what I know for sure is the agents who advise their clients correctly, and the homeowners who listen and take the advice to reduce, do sell. Those who procrastinate and don't listen, don't sell. Or if they do sell, they sell for a substantially lower price further down the track.

The maths doesn't lie. In most parts of the Hills District at the end of 2017, it was hard to buy the most basic freestanding home for less than \$1,000,000. The following 18 months saw the market reduce by approximately 15%.

That's a staggering \$150,000 off the value of these homes. Or looking at it differently, \$12,500 per month, or broken down further, just under \$3000 per week!

You can sit on the market and pretend this is not happening. Or if you have chosen well, you can listen to your agent's advice and face the facts.

So here it is in cold hard facts. If you sat on the market for three months, the price - whatever price you could have achieved in the beginning - is now around \$37,000 less. That's real money. I don't know about you, but most sellers would find that hurts.

Now, just imagine your home is one of the many in the \$1,500,000 to \$2,000,000 price bracket and, of course, it just gets worse. Your losses could potentially double.

CHANGEOVER PRICE IS KING!

The changeover price is the 'cost or benefit' of getting out of one home and into another.

When you are selling your property to buy another home, the most important number is not what you sell your home for or even what you pay for your new home. Without question the number of greatest importance is the '*changeover price*'.

To some this will appear obvious, *but many homeowners just don't understand this fundamental approach.*

Too many people get fixated on the value of their home and what they would like to sell it for. But markets aren't stable, they move in both directions, and owners have to be flexible and adjust to market conditions.

What you can control, however, is how much extra you want to spend to upgrade, or how much you want to pocket out of the transaction when downsizing.

So, when making an upgrade, the first number you have to decide is how much above the value of your home, less expenses, you are able and prepared to extend yourself.

So, once you have determined that number then, and only then, can you take it to the next stage and determine what you can buy.

The simplest way to illustrate this is with what I call a '*sell-at and buy-at chart*'.

CHANGEOVER PRICE IS KING!

It's very simplistic; however, it helps you to focus on the numbers.

$$\text{Selling Price} + \text{Additional Funds} - \text{Changeover Cost} = \text{Buying Power}$$

Estimated Selling Price Current Home	Additional Funds	* Fees & Charges relating to Changeover	Buying Power
\$900,000	\$250,000	\$66,000	\$1,084,000
\$930,000	\$250,000	\$68,000	\$1,112,000
\$960,000	\$250,000	\$70,000	\$1,140,000
\$990,000	\$250,000	\$72,000	\$1,168,000
\$1,020,000	\$250,000	\$74,000	\$1,196,000

* Your fees and charges relating to the changeover should encompass the estimated selling fee on your current home, legal costs on both the sale and purchase, the stamp duty charged on your next purchase and your moving expenses.

Note: When upgrading, in my opinion, unless you are prepared to spend at least 20% above the value of your home, it doesn't make good economic sense, given the costs of the move; in fees and stamp duty charges.

So, what this chart enables you to do is assess, at a glance, what your budget becomes at the various selling prices. ***It's a simple tool to have at-the-ready when considering offers while selling.***

With these numbers in mind, you can now at least research the market, to see what your buying power can attain at the various selling prices. And if the numbers still add up, you can safely move forward, confident your objectives can be achieved.

CHANGEOVER PRICE IS KING

Remember this point though: it doesn't matter whether your budget is \$500,000 or \$2,000,000; as buyers, we all have champagne tastes with beer money! So be realistic with your selling price and also with what you can afford ... it makes for a more comfortable and happier transaction.

On a regular basis, I have friends and family, who are selling their homes outside my area, ring and ask my advice as to whether they should accept or reject an offer on the table.

Apart from the usual questions I ask, like how long have you been on the market, how many inspections, is it within the range the agent told you it would sell for, etc., the final two questions I ask are: 'Is it enough to allow you to do what you want?' And, 'Do you have a property in mind you would like to buy?'

The reason I ask these two questions is to get them away from only fixating on the sale price. Instead, I get them to think along the lines of what this offer will allow them to do, and what purchasing power the offer gives them.

So, this brings us back to the *all-important changeover price* - assuming the offer is reasonable. Sure, they would have liked more, but at this time, this is the best offer they have received, and the only one on the table. The fact they are ringing for my advice means that it is within their acceptable range.

Then I ask them how much more they are prepared to spend on the next property, and hopefully, if they had sought my advice earlier, they would already know this number.

The next step for those who have a particular property in mind is to see if the offer on the table is enough to allow them to comfortably afford to buy it. We submit an offer to buy, basing our offer on the sale price of their current home, while also keeping in mind their predetermined changeover amount. Simple.

CHANGEOVER PRICE IS KING!

More often than not our offer will be accepted, and whilst selling for less than we hoped, we purchase for less than we dreamt we could, and our changeover remains the same.

And that is why changeover price is critical!

I always tell my clients, friends and family members: if an offer is reasonable, before outright rejecting it, let's take the offer out for a spin to see what it allows us to do. You might be surprised at the result.

LOW OFFERS

One of the problems I face as an agent is the 'low offer'.

Homeowners detest them and so do I, but not as much as I used to. You see, I no longer get offended or upset by a low offer. Let's face it ... if you were looking at buying a home, you are more likely than not to go in low, to test the water.

Sure, the offer may be from an unreasonable buyer, a bargain hunter, but we can quickly determine this and then dismiss them accordingly, if they prove to be a waste of time. But I do have a very long list of successful sales that started well below expectations and eventually ended up being very satisfactory indeed.

*Remember, it's not important where a negotiation starts,
it's where it finishes!*

It might be the start of something promising, and at the very least, it is someone showing interest in your home – which has to be a good thing.

If the buyer is genuine and has the budget to buy your home, their offer will soon increase with skilful negotiation by your agent. So don't be disheartened by low offers. Instead, remember, if you do not have the opportunity to say no, it is very hard to say yes!

So, if you have chosen wisely, you have engaged a skilled and competent agent. Just sit back, try to relax and let them do what they do best – working towards a great result for you.

LOW OFFERS

If you happen to be out of my area and need assistance to find a skilled agent, give me a call. I just might know someone who can help. We have access to a great referral network throughout New South Wales and Australia.

You may call me any time on 0425 237 912.
Or contact me at russell@davidrussell.com.au

EARLY OFFERS

I am sure you have all heard the phrase 'Your early offers are usually the best'. But, equally so, I am sure you are familiar with 'Never take your first offer'.

So, which one is correct? That's hard to say, because your decision is affected by market variables and your personal situation. Questions like - Is the market strong and on the rise? Is the market weak and falling? And can I afford not to take the offer? All need to be considered.

However, the evidence is clear: *Too many sellers regret rejecting an early offer.* In most cases, the best offers come early – so take them seriously.

Now, I am not saying you take the first offer from a particular buyer, as your agent should always try and push for more. But I am stating that your early buyers tend to be the best.

Put yourself in the shoes of a buyer. You have been looking for a while - a fresh property presents itself on the market and you love it. Do you want to miss the opportunity and possibly wait another two, three or four months for another home you love to appear? Or are you more likely to go in hard to secure this ideal dream home? The answer is - you're invariably going in hard. And as a result, you tend not to play as many games, ensuring you knock out the opposition early.

Likewise, if a buyer sees the home has been on the market for a while, the sense of urgency is simply not there and they adopt a 'take it or leave it' attitude. I know that's what I have personally done in the past.

EARLY OFFERS

There are always exceptions to the rule but the question that needs to be asked is: Are you risking too much by disregarding early offers?

I always liken it to a game of 'Deal or No Deal'. I'm sure you are familiar with the game show on TV. In brief, there are 26 cases with dollar amounts ranging from \$1 to \$200,000 hidden inside.

You pick one case, which becomes yours, but you don't know what's in it. You then, progressively, pick and open from the remaining 25 cases, eliminating those amounts, always trying to avoid the big dollars. After each round the banker makes you an offer based on what is left. If you eliminate the big dollars early, the offer will be poor. But if, however, the big dollars are still left towards the end of the game, the offer will continue to increase. That is, until you get to a point where you either accept the offer or continue gambling, hoping that the original case you picked is of a higher amount.

Hope you are following!

Inevitably, the game will culminate in a moment where the contestant has to make a difficult choice. There is a good offer on the table – so do they take it or do they pick one more? If they pick wisely, their offer will increase. But if they pick poorly, their offer will plummet.

Whenever I have watched the game, it nearly always gets to a point where there is a large dollar amount still available and some smaller ones. The offer the banker has made is a good one but the temptation of a greater win still plays on the contestant's mind and makes them push on.

But here is the catch. Often they say no to the offer and try their luck. If they are successful and avoid the big dollars, their offer will most certainly increase, but only marginally. If, however, they hit the big dollar case their offer decreases significantly. In essence, they are risking far more than they are likely to gain.

EARLY OFFERS

Likewise, the same can be applied when considering offers on your home. Sure there might be another \$10,000 from the next buyer or we may have to settle for \$20,000, \$30,000 or \$40,000 less in the future. So don't gamble with your family home. If the numbers work and you are going to be happy, go ahead and make your move.

The equation is simple: the longer a property sits, in a stable market, the lower the eventual selling price will be. Once again, there are exceptions but, overwhelmingly, this is the case.

Remember, the one phrase you are unlikely to hear is: 'My home was on the market for a long time and I got a great price.'

So yes, if a ***good early offer*** is made and is enough to allow you to do what you want to do, and is in line with what your agent promised, odds are you are better off taking the offer than not. Another question I ask myself in these situations is: 'Would I take this offer if I had already been on the market, for say, eight weeks?' If the answer is yes, you know what to do.

WHAT IF YOUR SALE DOES NOT GO TO PLAN?

You have found the right buyer and agreed on price. But sometimes selling your home does not go smoothly.

Buyers may pull out of the sale for many reasons. The most common are:

- they fail to get final approval on their finance, in time to cool off;
- they receive a poor pest or building report; or
- they simply change their minds.

It is important to remember, that *no matter what doesn't go to plan, a good real estate agent will remain by your side*. They will hold your hand, while navigating through all of these problems and issues.

Unfortunately, a lot of agents, once contracts have been signed, move on, leaving junior sales assistants and solicitors to handle any issues that may arise. Negotiating price and getting contracts exchanged is one thing, but getting it to an unconditional sale is an entirely separate issue and your agent needs to be on board.

Poor agents lose control of the sales process. And often it is too late to recover, once decisions have been made and minds are made up.

An important part of the job is to handle the emotions of both the seller and the buyer during this stressful time. Many a poor decision has been made when things don't go to plan. An agent should make sure all parties involved don't lose sight of the forest for the trees. A caring agent will remain in control, looking out for your interests, to avoid or negate any problems that may arise.

A GOOD AGENT WILL ASSIST YOU AFTER YOUR SALE

A good agent who achieves the best price for your home is a wonderful asset to have on your side when you make your next purchase. Having a skilled negotiator, giving you guidance and advice, can save you thousands of dollars when negotiating on your next home. A caring agent will take the time to assist you.

Helping my clients purchase their next home is something I thoroughly enjoy. The thrill of helping them purchase a home listed with another agent, saving them money, simply makes my day. On some occasions I have saved my client enough to cover the selling fee on their home – so essentially, they have got me for free!

Unfortunately, for my clients who happen to become interested in a home I have 'listed for sale', I am no longer working for them ... as I only work for my sellers; getting the best possible price from all buyers who purchase a home through my agency.

Let's face it, as stated throughout this book, the stand-out feature of a competent agent is their ability to negotiate. *This ability clearly separates the good from the average.*

Once you have chosen wisely by picking a good agent, and have achieved a great result, it would be foolish not to at least try to use this resource when buying your next home through another agent. And, as stated, a good agent will be delighted to assist you.

Ensure your selling agent is on your side ...

What astounds me is how often I speak with someone who has unwisely listed their home with an agent they are purchasing through, who is clearly prepared to act outside their client's best interest. They witnessed this firsthand during negotiations, when the agent has assisted them in buying the property at a price lower than they would be prepared to pay, with the specific understanding that they would then list their current home for sale with this same agent.

Yes, this actually happens! They miraculously think this agent will do their best for them! But in reality, the agent will unfortunately repeat their behaviour and cheat them too, given the chance, just as they did the previous homeowner.

Always remember the saying 'a leopard never changes its spots'. If they are prepared to deceive and lie for you, almost without exception they will lie and deceive you too, for another buyer.

So, in years to come, when you are considering selling your home, seek out that agent who made you pay more than you wanted to when purchasing through them. They were the ones *doing* their job. And that's the agent you want on your side when you come to sell your home.

Recapping: the agent who betrayed their client (the seller) helping you buy your home for less than you were prepared to pay is NOT the agent you should use when selling.

Russell Haddan

I was raised in Sydney, New South Wales, Australia.

As a youngster I was a keen baseball player and briefly played professionally for the Atlanta Braves in Florida, USA. Returning to Australia, I worked within the Westpac Banking Corporation for 12 years and as a Commercial Lending Manager at Brookvale, in Sydney, resigned in 1996.

The knowledge and experience I gained in the finance industry, together with the exposure to various business entities, has served me well throughout my real estate career. The understanding of lending and its processes has enabled me to assist clients with informed suggestions and direction, as they approach their lending institutions.

From there to today, over 20 years later, I now operate my own real estate office in the Hills District in Sydney. And along the way I have met and advised countless property owners with their real estate dealings. Many of those have been out of this area, just wanting a chat or needing advice on how to make their next best move.

This book is filled with lots of advice from my personal experience and information relating to general real estate practices. Some will relate and perhaps some will not ... but where I haven't answered your specific questions or you need assistance choosing an agent in your area, do not hesitate to call or email me – seven days a week. I will always do my best to assist you.

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