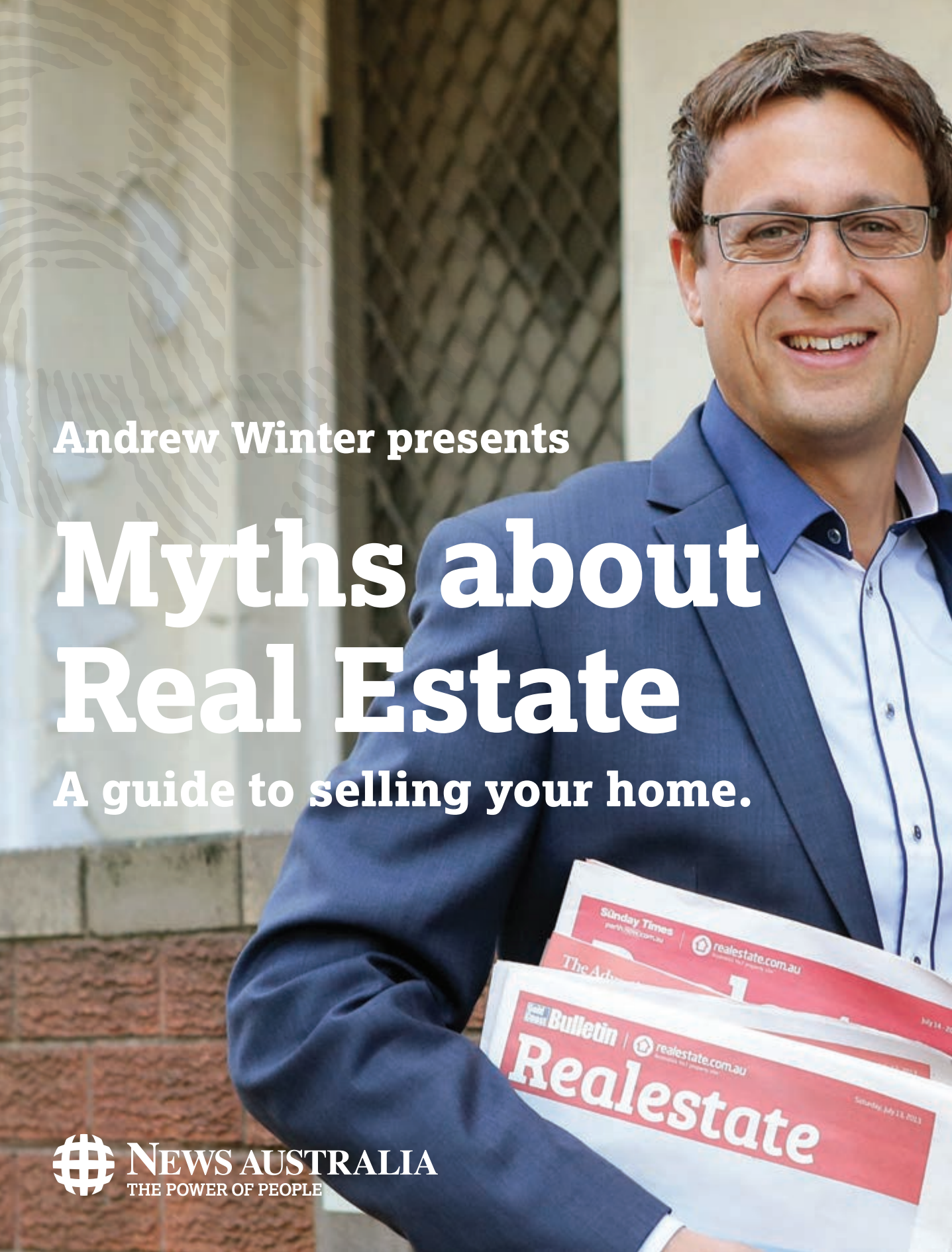


Andrew Winter presents

Myths about Real Estate

A guide to selling your home.

NEWS AUSTRALIA
THE POWER OF PEOPLE

Why we need to bust the real estate myths

For the past 25 years, both as a real estate agent – and most recently as the host of Selling Houses Australia and a columnist - I've been helping people sell their homes and offering advice on the way to get the best result.

Despite the fact that every home is different, and every market is unique, over this time I've seen people make similar mistakes over and over again regardless of whether they live in Melbourne, Margaret River or Cairns, and whether they are selling a multi-million mansion or a modest brick apartment.

It's probably not surprising. Selling your home is something most of us only do on average every seven years or so. It's hard to develop a skill if you only use it every seven years! And during that time, markets, marketing, tastes and legislation can change and the choices you will need to make selling your family home may be different to the ones you made when trading up on your first unit. It can be a minefield of confusion for the unwary.

I constantly tell people to do their homework when selling and buying – as boring as I know that is – and that is where this booklet comes in.

We've based it on the questions I am asked regularly to solve on the television show and the issues and worries that are sent to me from readers and viewers. We've called it Busting the Real Estate Myths because over time, some have become so entrenched in peoples' thinking that they have taken on a mythological status.

Selling your home is not rocket science, but it also doesn't need to be as hard as some people make it for themselves. Why make your own painful and expensive mistake in real estate when you can learn from those who have gone before you, with just half an hour of reading?

So read, enjoy, and feel free to send me comments via Facebook.



Happy selling!

Andrew Winter

myth one:

I don’t need a real estate agent

I was a real estate agent for nearly 25 years but I’m not one anymore.

Nevertheless, when I sold our family home a few years ago, I used an agent. The main motivation was because I wanted a third party to negotiate on my behalf.

The negotiations are the crucial bit that you absolutely have to get right. Now I can negotiate with the best of them, but negotiations for house sales are always best where sellers and buyers have a mediator - someone in the middle - as these discussions about large sums of money and something as personal as a home are often fraught with tension!

If you are tempted, consider this. When buyers inspect your home, what are you going to tell them? Whatever you say, buyers know you will have no real independence or in depth market knowledge. Buyers today are pretty savvy. When they see a seller trying to save thousands on real estate agent fees, they will just offer less. That really does happen. Then you have done all that hard work and stress for nothing!



myth two:

The best way to choose an agent is to go for the cheapest commission

Choosing an agent based purely on how cheap their fees are is a risky strategy. Like with many things in life, there is a wide spectrum between something that is cheap and getting value for money.

You should choose an agent based on their track record of sales results in your area and their track record in selling homes like yours locally. You should choose them because you feel you can work well together and because you really feel they will represent your property in the market to its full potential.

Most importantly employ an agent that understands your home, acknowledges its positives and knows how to manage any negatives. It is very possible these agents - because they are very good - are not the cheapest. **They are however, worth their weight in gold.**

myth three:

I only need to advertise online

Selling a home successfully is about generating the maximum exposure in the market and reaching real potential buyers. This means you need to target your campaign and in most housing markets the majority of buyers are locally based.

Online advertising is affordable and a great way to access a lot of home hunters and should definitely be a part of your sales kit. But the most powerful tool to reach a local market in my experience is through the local newspaper.

People read print even before they know they want to buy - it's a kind of window shopping that regularly gets people through the door.

The secret benefit of print is that it attracts buyers to your home that didn't know, or didn't think your suburb or home was available to them.

I have witnessed on a number of occasions, sales being achieved to buyers looking in a neighbouring suburb, or perhaps only seeking four bedroom homes but end up buying a three bedroom home; all because the print ad caught their attention.

> **"The secret benefit of print is that it attracts buyers to your home that didn't know, or didn't think your suburb or home was available to them"**

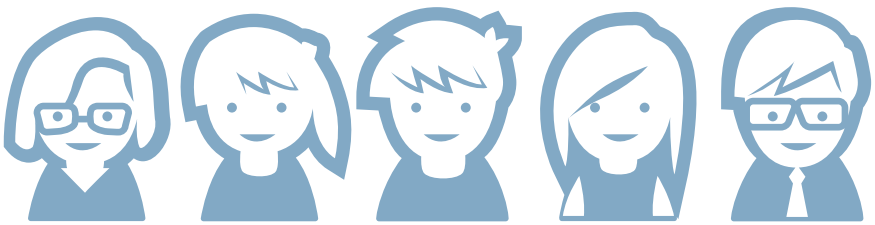
Online searches are very focused. If you don't identify particular house type, or specify a location you will see potentially 1000s of listings - far too many to practically analyse. Whereas there is something rather relaxing about sitting with the paper and a cup of coffee and browsing through all the lovely homes.

For the best impact - and to get your home sold - choose online plus print.

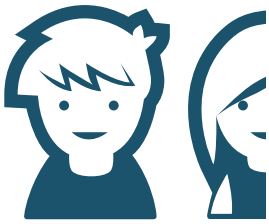
The diagram on the next page shows you how it works.

How print and online help to sell your home.

Online only



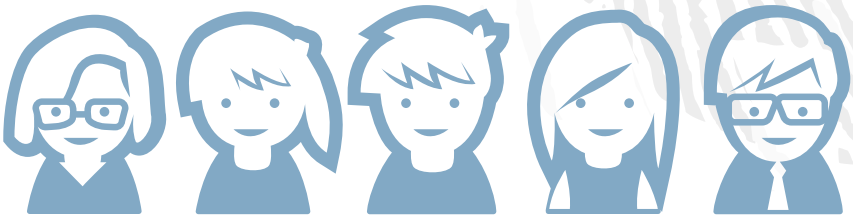
27% of buyers use **online only** to find their property[1]



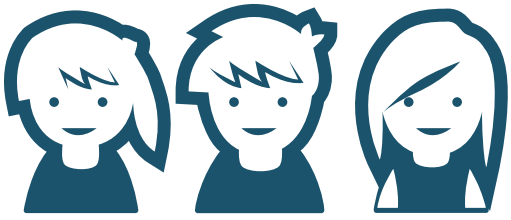
1½ Buyers

Source: (1) Residential Consumer Property Seeker Report November 2012. (2) Pulse Panel Real Estate Study Jan 2013.

Print and Online



While **59%** of buyers use **print and online** to find their property[2]



3 Buyers

DOUBLE THE NUMBER OF BUYERS

myth four:

If we renovate before we sell, we will get more money

Renovating is a good way to increase the value of your home, **BUT** it is not a golden ticket. It depends on what you spend the money on and if those changes actually 'add tangible value'.

The key is to know the current value range for your home, and to know that you will need to do your homework and get some experts in.

Consider what changes you think are necessary, then estimate what the cost will be. Of course the more changes you can implement yourself, such as tidying, rubbish removal, painting, cleaning, minor maintenance, the less your costs will be. However never forget anything gas/electrical/plumbing/structural must be left to the experts. Buyers may even want to see paperwork relating to recent changes, so DIY is not an option on these elements.

Once you have established the current value of your home and you know the improvement costs, add the two together - do you really think you can sell now for that amount or ideally more-than that total?

> **"Find homes that currently have those features on the market and see what they are selling for to determine if there is a significant value gain".**

myth five:

Buyers will see – and pay for – the potential of my home

It is a very common misconception - and even a huge mistake - that sellers regularly make to assume that the potential of their property has enormous value for them right now.

To put this in its most simple form: imagine selling your car and saying to buyers, it has the potential to have built-in GPS and a V8 engine, so you are expecting a price that reflects it as if it did have those features.

Exactly!

Potential is a great marketing tool. Genuine potential - which means your home has something that others in your area do not have - may add some value but only a limited amount. It rarely affects the value of your home as much as you may expect.

The difficulty is that potential is all about what the property will **eventually** be worth if its potential is fulfilled. And fulfilling that potential takes money - and usually energy.

If you do not wish to be the one to fulfil the potential, you can ensure that potential has a viable benefit by taking a few affordable steps. Get some builder quotes about extending the back living area or rebuilding the kitchen or draw up some plans and apply for council approval.

myth six:

We should just put it on the market and see how we go

In my experience, almost all sales are achieved when there is some genuine motivation to sell. “Seeing how you go” is not genuine motivation and as such, rarely results in a sale.

Genuine motivation can be a change of job that requires a move, a divorce, trading up or down even a lifestyle change.

If you do want to ‘test the market’, give this very careful consideration. With today’s technology, once your home is listed, the days on market will start to tick away and that becomes a piece of information for potential buyers.

If, in response to the lack of interest, you decide to take the home off the market, and then at a later date decide you really do need to sell, buyers will discover this on-again, off-again activity. It can lead to concerns as to why it didn’t sell last time and a tougher negotiating stance on behalf of potential buyers.

The other negative with this practice is that the lack of motivation usually manifests in how people prepare their homes for sale - ie: they don’t bother much. And as such, homes are under marketed, which means the true value of the home rarely comes out.

Don’t list your home out of curiosity. Find out your own true motivation for selling first.

myth seven:

Properties that go to auction always sell above reserve

Properties that go to auction sometimes sell above reserve. Sometimes they sell below reserve, or don't sell at all, and sometimes, to add to the debate, the reserve can change during the auction or in fact at any time.

"It all depends on the seller - it is their property and their final decision. A reserve is always set prior to the auction, but if that is not met, sometimes sellers will reduce the amount right then and there to try and get the offers rolling in".

Presuming homes always sell above a reserve is a misconception, but because reserves are private and not disclosed generally we have little or no data to report on. What we do know though according to RP Data is that while clearance rates are a good measure of how a market is performing, up to 20%of those homes that are passed in sell in the weeks after which means auctions are a very effective way to get a quick sale.

If you are a seller, that reserve figure is all down to you, but listen to the market and your agents advice. You may need to be flexible to get the deal done.



myth eight:

Auctions are an expensive way to sell

It is a popular misconception that auctions are expensive. The only true added expenses are for the cost of a fully licensed auctioneer. This cost on its own is usually $300 - $400 depends on where, who and what you can negotiate. That cost is unavoidable.

But please choose wisely. The performance of an Auctioneer is always worth checking out in action before you sign them up. They are about to publicly represent your home, so research before you commit.

The second optional cost is a venue if required. Conducting an auction on site costs you nothing but there may be reasons why you want to go to a venue - either to benefit from a multi-property auction, or to avoid drawing attention to property defects.

All other costs are entirely up to you and are the same for marketing your home under private treaty circumstances with the caveat that marketing your home becomes even more important as you do not want to hold an auction and have no one come!



myth nine:

My home will sell really quickly

Every seller likes to think their home is special and will be snapped up at a great price by a new loving family.

All homes have the potential to sell quickly, but any confidence about this should be based on market conditions, research and what your agent is telling you - not blind optimism.

Even if other homes locally seem to be selling quickly, that doesn't mean yours will as every home is different!

There is also the definition of 'quickly'. In some suburbs a quick sale is 30 days, in other areas that quick sale is 120 days. Get to know the figures by learning the current time on the market for your suburb. This will help you understand what is typical and could save you some stress on why your home hasn't sold yet.

myth ten:

The best time to sell is spring!

The best time to sell is when you are ready, when market conditions favour you as the seller, more than the buyers and limited homes like yours are for sale right now.

If the front yards in your suburb are proudly displaying an abundance of sold boards, with little 'for sale', or the time it takes for that for sale board to turn into sold seems to be pretty quick, the signs are right! Get your home on the market!

Successful selling is of course about the home. The presentation, the price expectations, the marketing all play their part, **BUT** if your timing is wrong you will struggle!

So never focus on times of the year. Focus on the market and your ability to be ready to sell. Of course some homes that have gardens, views as a main feature will often look great in spring/summer, but that is rarely enough to compensate choosing the wrong time in the market cycle to list.

myth eleven:

I should list my home at a price higher than what I need so I can negotiate down

Pricing strategies are dependent on your local market. In some areas it is common, if not mind blowingly, it's annoying, to see no prices listed at all.

However where pricing is common, look at what everyone else is doing. Your choices are to go with the fixed price method, which is quoting an asking price. Alternatively you can choose 'offers over' a certain figure, or to give a price guide from x - y.

The trick is to find a balance and usually you would ask a little bit more than the minimum you would accept.

For example, imagine your research and valuations show your home is worth around $400,000. As such you might list your fixed price at $420,000, or you would ask for offers over $400,000. Your price guide may be $390,000 to $410,000.

Remember however that your situation and the market dictates this choice. If half the street is for sale, pricing things a little over is a waste of time. But if demand is high with few homes for sale, you can afford to be a little bit cheeky.



myth twelve:

You don’t need to quote a price guide

The absence of price guides is a hot topic and one which I have very strong opinions on. I personally believe all properties should state a price guide.

I also believe sellers should have total freedom to under quote, over quote, whatever they like as I believe in a free market. However, legislation in some states differs to my personal views.

It is only fair and reasonable however, for buyers to have guide as to a sellers expectations. You don’t go to a store and see no price tags on goods. Buyers loathe the practice of failing to put a price guide on a property.

It is true that if a seller under quotes, it is annoying for a buyer if the home sells for substantially more, but buyers should have done their research and realised the expectation was low.

Over quoting scares buyers away, so I genuinely believe all homes should have a price guide and the level of that should be entirely the sellers choice. But we should never be angry with sellers trying to get top dollar. **You would!**

myth thirteen:

I won't sell unless I get exactly the price I want.

It is fair enough that you hold this view. It is your right. But buyers couldn't actually care less! The price you want is exactly that - the price **YOU want**. It is in no way associated with the value of your home.

There is a very clear distinction between value and seller expectations. However if you have done your research, had the property valued professionally and allowed yourself to step back and really looked at your home "warts and all" you will discover what the approximate value is.

If this figure is very close to your heart's desire on price, it may be time to sell. But if the amount you 'want' is far off your research, you need to consider your decision to sell.

Do you know anyone looking to buy a property for more than market value? Would you pay over market value for a home? Yes I thought so. Then do not expect buyers to do something you wouldn't.

myth fourteen:

Property doubles in value every ten years, so my house is worth xxx

Really? Well the reality of realty is far more complex and unpredictable. Sadly, one neat little formula does not capture it. It all depends on the individual property. Did you buy at the top of the cycle or the bottom? Were there boom conditions, or did you grab a bargain? Have you maintained, or kept the property up to date?

The timing of when you sell is critical too. So if anyone ever tells you your property will absolutely guarantee to show an increase of 100 per cent in 10 years, ask them to contract to buy it from you in 10 years time at double the price. **Bet they don't!**

Andrew Winter is the host of the award winning Selling Houses Australia, now in its seventh season on Lifestyle.

He sold his first home at the age of tender age of 17 and worked as a real estate agent for more than 25 years in both the UK and Australia. Andrew is a regular columnist in newspapers across the News Corporation Australia media stable.

Follow him on Facebook or Twitter (@andrewtwinter)



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