

# THE REAL ESTATE ROUNDABOUT

VZ Real Estate Publication - Issue Thirty Eight

# Conditioning

## The tricks used to drive your price down

Conditioning is one of the real estate industry's favourite tricks used to get home sellers to lower their price expectations. If you are aware of it happening, you can protect yourself against it. But if you don't realise that you are being conditioned, you can make decisions that you come to regret.

What is conditioning? It's when the agent praises your home prior to listing and then continually points out the negatives after it is on the market.

In order to distance themselves from the negativity of conditioning, the agents may frame it in the buyer's words. Phrases such as "buyers like the house but the road is busy" or "the buyers keep telling us the bedrooms are small."

Agents that praise your home prior to listing and then continually point out the negatives after it is listed are conditioning you.

When you hear negatives about your home once or twice, you can brush it off. After 2 or 3 months on the market though, the conditioning begins to have an impact.

One homeowner described it this way, "the agent made me feel as though I would not be able to give the house away."

In a rising market, conditioning is not as common as it is in a flat or falling market. Even if the home seller has an inflated opinion of value, the rising market will catch up with the seller's price expectation. In a falling market, the gap between price expectation and the market reality grows wider.

Another commonly used tactic to condition sellers is the "low offer" trick. This usually happens a few days prior to the auction. As taught behind closed doors, the low offer trick is designed to "soften the seller up" for auction day. A seller that wants \$1.1 million is given an offer of \$900,000 days before the auction.

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# Letter from the Editor

Dear Readers

Welcome to another edition of the Real Estate Roundabout. In this edition we take an indepth look at conditioning. Conditioning is a tactic that agents use to get sellers to lower their price. When the real estate market softens, conditioning becomes more prevalent. To protect yourself, you need to know how it works. As landlords face increasing costs, maintenance & upkeep can quite often be overlooked. This is quite often to the long term detriment of the property. On page 4 we review the 3 main mistakes landlords make when it comes to Maintaining the Investment.

Best wishes

Franco Zaini



## Give your buyers a warm welcome



A winter campaign can result in a great sale with the right presentation.

**Even when the weather is cold and the skies are grey, there are plenty of ways to make your home inviting for prospective buyers.**

Light, warmth and colour are three things that can work in your favour when selling a house in winter, so be sure to make the most of them.

### LIGHT

People like to see what they are buying, so make your home as light as possible. It will probably be too cold to have the windows and doors open, but you can still make sure there's plenty of light throughout all the rooms. Open curtains, pull up blinds to promote natural light and turn on lights in areas such as hallways where the outside light doesn't penetrate. Table lamps also provide light as well as adding a cosy touch.

### WARMTH

When prospective buyers are inspecting, don't skimp on the heating with the idea of saving a few dollars on the electricity bill. Selling the house would be much more profitable! Keep the interior at a comfortable temperature, so that people will realise it is an easy home to heat. By making sure the heating is pleasantly effective you will not only give people a positive impression - you will also encourage them to linger and have a good look, rather than rushing away because the house is cold. If you have a heater that simulates the flames of an open fire, turn it on too, to enhance the impression of warmth and cosiness.

### COLOUR

As well as using colour generally to increase the attractiveness of your home, you can use it in winter to create an impression of warmth throughout your rooms. Brightly coloured afghans and cushions arranged on the lounge, chairs and beds will compensate for the grey day outside. Arrange some bright placemats on your dining room table, put a couple of bowls of fruit out and find some fresh flowers if possible. And, even though your garden may not be in complete, colourful bloom, you can always display a couple of photographs of it at its best, to show



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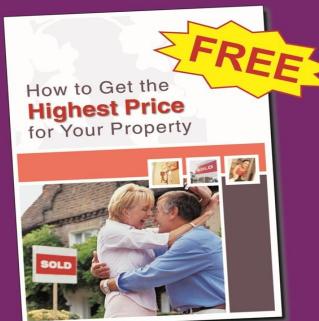
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*No Lies, No Deceit, Just Honesty, Integrity and Results*

# Agents conditioning homesellers is one of the most subtle (and common) real estate tricks.

*Continued from page 1*

**It is not that the agent thinks \$900,000 will be accepted, they are just looking to set the seller up to accept the “market price” on auction day.**

Market price? “But \$1.1 million is what the agent told us we could expect to sell for”.

Yes, the agent told you that it would sell for \$1.1 million and they then went out and told buyers that bidding would start around \$900,000. So if the agent lied to the buyers, why wouldn’t they lie to the seller? So many home sellers overlook this point when they see their agent promoting the property to hopeful buyers at a price the sellers would not accept.

Conditioning helps the agent avoid blame for the property selling for less than they originally quoted to the owner.

**“If the agent lies to the buyers, why wouldn’t they lie to the seller?”**

## CONSPIRACY OR TACTIC

You may be inclined to ask yourself if conditioning is really just feedback and not a deliberate process to drive the sellers price expectation down.

The difference between conditioning and feedback comes down to 2 main points. The first is whether the agent’s thoughts and sentiment toward your property has changed before and after you signed up. The second comes down



**A favourite conditioning trap is filling your home with lookers & neighbours which is then disguised as market feedback.**

to the agent’s intent. Are they continually passing on negative feedback about your property to lower the price or do you genuinely have a fundamental flaw that buyers cannot overlook?

The Real Estate Institute has previously been quoted in a training manual stating that “auction is the fastest and best conditioning method.”

A real estate/auctioneer trainer whom is well known in the industry commonly tells agents in his courses that, “conditioning is not a dirty word”.

Conditioning has been in the agent’s bag of tricks for as long as houses have been bought and sold. The market is gyrating at present. It is incredibly unpredictable. Unpredictable to the degree that every report, commentator and expert seemingly contradict the other.

If you are selling at the moment, stay focussed on the objective - What is the best price that the genuine & active

buyers in the marketplace are currently prepared to pay for your home? It is the agent’s job to answer this question and your decision whether you then sell or keep your property.

Who cares what the neighbours think your property is worth? Be careful about accepting non-buyers feedback as market intelligence.

When selling, ask your agent for honest and direct feedback only from genuine active buyers. If you like the offers that come in, sell your home, if not, withdraw from the market and wait for better selling conditions.

You worked hard for your home, so don’t have some agent verbally run it down so they can get a quick sales commission for themselves.

**Protect yourself against conditioning only sign a short-term agency agreement. If your agent is conditioning you, fire them.**

## The agent carries the risk, not you.

Will you sell your property? If so, I would appreciate the chance to offer my services as your estate agent.

The service you will receive is very different. For instance, we offer you a **‘RISK FREE’** sale. What this means, for you, is simply this:

***The agent carries the risk, not you.***

There are many people who are *interested in real estate in your area*. Many are ready to buy now.

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# Maintaining the Investment

There are some realities about owning & managing an investment property that landlords should accept before they become landlords. If not, the investment property that was meant to serve you as a rock solid performer can cause unwanted expenses, energy and stress.

It is commonly accepted that tenants on the whole will not maintain a property as well as an owner-occupier would. We are not here to make judgements on this point, rather just let you know the facts. When you do have a tenant that takes good care of your investment property, ensure that you take good care of them.

Landlords make 1 of 3 mistakes with their investment properties around this fact.

1) They under invest in the maintenance of the property – If you buy a brand new investment property with a 10 year plan but neglect the maintenance of the property, you end up selling an unrenovated property. The capital gains in the general market can be wiped off due to the deterioration of the property. When finance costs 7% and rental returns are 4% before expenses, it is not a great surprise that many landlords have difficulty finding spare cash to maintain their investment property.

However, it is far cheaper to maintain a property than renovate one. A stitch in time saves nine!



**Constant maintenance - A stitch in time can save nine when it comes to the upkeep of your investment property.**

2) The second mistake that landlords make is they don't inspect the property often enough. Relying on a condition report from the property manager is not sufficient supervision of the property.

Maybe it should be sufficient, but in reality its not. Many landlords are horrified when they finally inspect their property having not inspected it for several years. The actual condition of the property is so far removed from the condition reports they have been receiving that it defies logic. This is a shattering reality when the superb residence you originally leased out is now a battered wreck.

The 1% you negotiated off the agent's commission won't be much compensation if your agent does not keep your investment property to a high standard.

3) The third mistake that landlords make is they allow issues to fester. When the landlord is happy to let maintenance issues slide or insists they are done on the cheap (& nasty), they set the expectation standard for both the agent and tenant. As a landlord, it is important that you insist your investment property is maintained to a high standard, both through your actions and words.

All properties experience wear and tear. It is the landlord's responsibility to address it. If not, over time, the festering issues become major problems.

**If you know the mistakes that other investors have made, you have a better chance of avoiding them. If you maintain the investment, the odds of achieving an acceptable return increase.**



Dear Team,

We would like to take this opportunity to thank you for the professional manner in which you sold our home at 77 Leonarda Drive, Arana Hills. We had been told that selling one's home can be stressful, but in this case we found the opposite to be true.

From the beginning we were informed at all stages of the selling process, from how the marketing and inspections would be conducted right through to when the contract was signed and settled.

The service and feedback was excellent and we were greatly impressed by the speed in which our house was sold, especially the price achieved which was at the top of your guaranteed range.

We cannot thank VZ Real Estate enough for such a smooth process. We have no hesitation in recommending you to any prospective seller or buyer for that matter, and we wish you and your business all the success for the future.

Kind regards,

Matt & Tabatha Draper

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