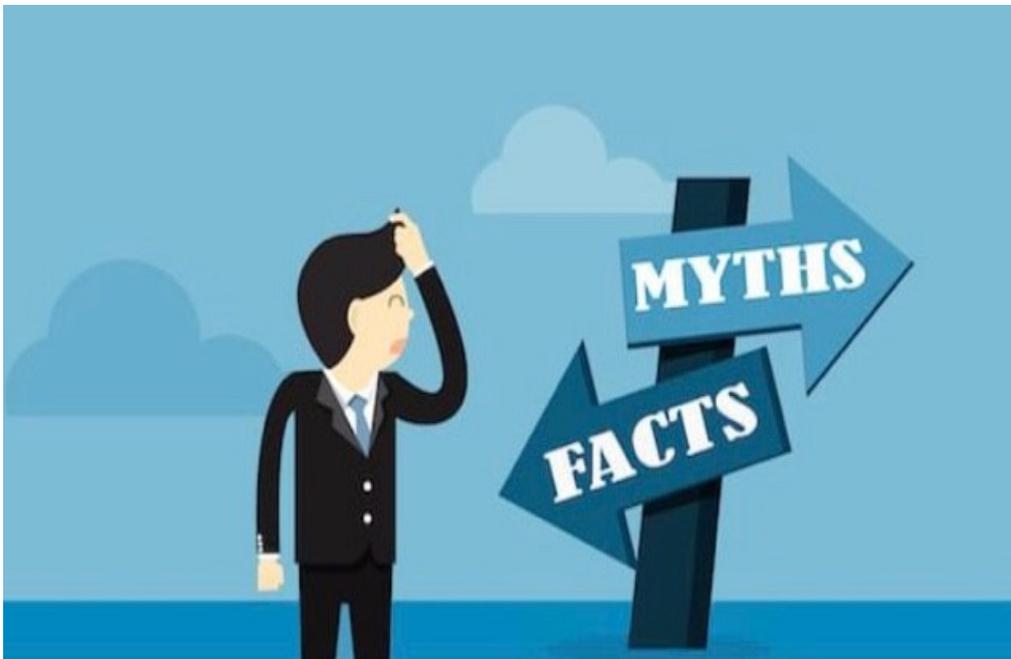


R *THE REAL ESTATE* **ROUNDABOUT**

VZ Real Estate Publication - Issue Forty Six

12 REAL ESTATE MYTHS BUSTED



accept any price to pay for some firewood! This is simply not true. There are not specific months or seasons to sell property as Australia's property market is active year-round (even during footy season!).

2. Young adults have no hope of home ownership

This idea that it's 'impossible' for young people to buy their first home is certainly a myth. We see young people buy their first, second, third-plus properties every day, showing grit and determination. It's simply a matter of smart finance, understanding expectations and hard work to achieve a long-term goal.

3. All properties go to auction

Auctions are often the most talked about method of selling, but the facts are that in a booming market only about 25 % of all homes get auctioned. Don't be fooled by the media and stakeholders, such as auction agents, who make it appear to be more.

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You mention you're buying or selling property to one person and the next minute, you have everyone knocking on your door with advice. If buying and selling your home a few times made you an expert, we'd be out of a job! There are so many tall tales and outdated assumptions being told that it's hard to know what is fact and fiction, so we've set out to bust some of the more common

real estate myths we hear every day:

1. Never sell in the winter

This is one of the most common myths that has been circulating for as long as I can remember. The assumption is that the only people who put their homes on the market when the weather is coldest are poor, desperate souls who will

In this issue :

- **12 real estate myths busted**
- **Cheap isn't always cheerful**
- **7 questions you must ask**
- **Recent Sales**



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Cheap isn't always cheerful:

Why budget property management cost landlords



Investors need to establish the true cost of a budget service to avoid possible expensive mistakes.

A common mistake that many property investors make is assuming that all property management is the same. This assumption can often lead to landlords choosing the cheapest service on the market, as they feel there is nothing to differentiate agencies from one another. Many landlords don't realise is that choosing the cheapest property management team can become an expensive mistake in the long term. The team at VZ Real Estate explain why you shouldn't choose a property management team based on fee.

Budget costs, budget service

When choosing a property management team, you want to make sure you are hiring an agency that will handle all aspects of your property with utmost professionalism and care.

Unfortunately, you pay for what you get. If you choose to manage your investment property through a budget agent, chances are the service you receive will be less than satisfactory.

Lower fees often mean lower wages

and less training for the staff that work there. This generally leads to a higher turnover rate, which means that your investment property will not benefit from the stability and quality a strong property management team can offer.

Budget agencies often have a higher property to staff ratio – this means they do not possess an adequate number of staff and resources to look after your property. When hiring an agency, ask for the staff – to – property ratio. A ratio much over 80 properties per staff member indicates the agency is understaffed, regardless of technological improvements. When an agency is understaffed it can lead to poor service and possible financial loss, as it doesn't take much for things to be overlooked or forgotten. This leads to expensive mistakes – mistakes that could have been easily prevented with the right agency.

Remember, if the agency is discounting their fees, they have to discount their service.

Hidden Costs

When researching property management, many landlords tend to compare the percentage management fee rather than the agency's full cost. It is important to look at what you will be paying overall and what services these costs cover. Some agencies may charge a lower percentage fee, but will charge you extra for emergency callouts, inspections, reports and higher letting costs. When looking for a tenant, don't pay any cost for marketing. With online marketing, a good tenant can be found with minimal cost, a cost the agent should cover. Don't pay for specific ads. These additional costs add up quickly, which render any savings null.

Inspections

Ensure your agent inspects your property four times a year. A lot can happen in three months. Many budget agents only inspect properties two times a year, which isn't enough.

Reviews

It's always important to research a property management team before signing over your investment property. Most agencies are able to present references when requested, however it can pay to do your own research as well. A Google search can quickly determine what their service is like. Checking the company's Facebook page is also beneficial. If you know anyone who has previously dealt with the agency, ask them for their honest opinion. A cheaper agency may seem like an attractive option, but if client's experiences don't stack up it's best to steer clear.

Also check out the agent's office. Does it seem organized and efficient? Good real estate offices hum, they don't appear hectic.

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

12 REAL ESTATE MYTHS BUSTED

4. Auctions get the highest price

Public auctions are a popular way to buy and sell property, but most people enter the process blind. For an auction to work, you need at least two serious buyers. Many sellers get so caught up with the urgency, competition and excitement of the auction, they don't realise these buyers aren't bidding at the highest price they're willing to pay. In a public auction, the underbidder pays *their* highest price, but the final bidder may have many thousands or even tens of thousands dollars more they were willing to spend. Consider the other methods of selling rather than just following the masses.

5. Worst house on the best street

Many people think it's all about position. Certainly, position is a big factor, but the exterior look of the home, including style, condition, property potential (planning and zoning) and size of land all contribute. If the home isn't the norm for the area, then it's unlikely you will get the standard growth. For example buying a 1970s brick veneer house in a street filled with Victorian terraces is not advisable.

6. The property must be presented like a show home

This is unnecessary and really only promoted by incompetent agents who can't sell homes as they are and by companies who have something to gain. Homes that are neat and clean will be just as effective!

7. We need to spend money on advertising

Most people don't realise a lot of

advertising actually benefits the agent by promoting and profiling themselves. Agents who sell in a particular suburb ask vendors to pay substantial advertising and marketing fees to find buyers and then repeat this exercise on a house just around the corner. Why do vendors need to keep paying all this extra money to find buyers? Shouldn't these real estate offices and agents keep records of all the buyers they've previously advertised to time and time again? We like to think of advertising costs as an incompetence tax!

8. Buying in a 'hot spot' means I can't fail

The reason an area is labelled as an up and coming hot spot is usually because of some sort of change, such as infrastructure developments, that will lead to short sharp price growth. But in these areas where growth has been consistently below average, growth is likely to just revert back to below par levels in the long term.

9. A property is worth what a buyer will pay

A property is actually worth what a skilled negotiator can *persuade* a buyer to pay. It's important to note this opportunity isn't available via public auction, unless the property gets passed in.

10. If we renovate before we sell, we'll get more money

Most people tend to think renovations will increase the value of their home, but this isn't always the case. The key is to know the current value of your

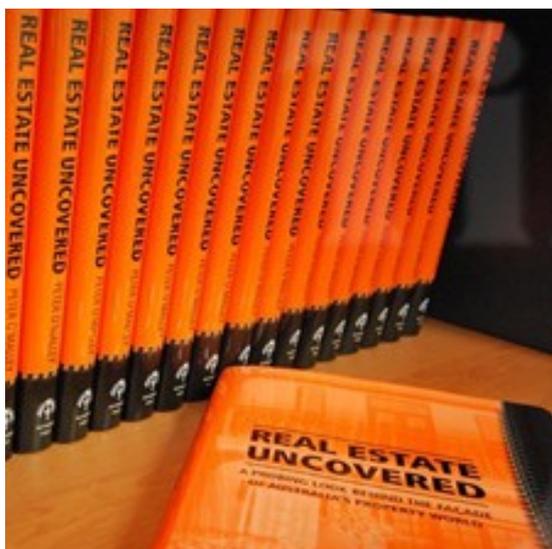
home, do your homework and hire the experts for advice. Consider what changes you think are necessary, then estimate what the cost will be. Of course the more changes you can implement yourself, such as tidying, rubbish removal, painting, cleaning and minor maintenance, the less your costs will be. Once 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?

11. I don't need a Solicitor until a buyer is found

Remember, the buyer may be anxious to resolve the purchase and may not wish to wait until you have all your paperwork in order. We recommend organising a conveyancer or solicitor before finding a buyer so everything is ready to go.

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

Unfortunately, the price you want is not associated with the value of your home. There's a very clear distinction between value and seller expectations. However, if you do your research, have your property professionally (and independently) valued and allow yourself to step back and really look at your home 'warts and all,' you'll discover what the approximate value is. Consider if you know anyone looking to buy a property for more than market value? Would you pay over market value for a home? No you wouldn't, so don't expect buyers



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**We're giving away 50 copies
of the ground breaking new book
'Real Estate Uncovered'
by Peter O'Malley**

**Essential reading for anyone who's thinking of going
within a hundred metres of a real estate agency.**

7 QUESTIONS TO ASK AN AGENT WHEN SELLING?

What evidence did you rely on when valuing our property?

We are all susceptible to believing what we want to hear. If an agent quotes a high price for your property, it's natural to want to believe them. However, if an agent cannot justify their price to you as the owner, they will have an even harder time convincing a buyer!

If the property sells below your quoted price, do we still have to pay full commission?

When you sign an agency agreement to sell, the agent must provide a written assessment of value. You, as the seller, enter into the agreement, in part, based on the written assessment of the agent. If the agent fails to achieve their promised assessment of value, you should have an ability to penalise the agent for getting it wrong. By being firm on this point when interviewing agents, you will flush out what the agent really thinks your home is worth.

How do you have an auction with one buyer?

Auctions rely on competition i.e. multiple bidders. Unique homes often require unique buyers. In soft markets, you can be fortunate to have even one buyer. What happens

if only buyer attends the auction? What if two buyers attend the auction, one whom absolutely loves the home and one who is a bargain hunter? The bargain hunter sets the price at which the emotional buyer becomes the highest bidder. Don't sign with an agent until they offer a plausible explanation on how they handle a situation where they only have one buyer at the auction.

If you already have buyers, why do we need to pay advertising upfront to reach those same buyers?

It's the greatest paradox in the market. The agent claims to have readily available buyers, and then asks for advertising money to find buyers. Why?

Who is the agent that will attend the inspections with buyers?

Many lead agents will list the property and then palm off the selling of the property onto a junior or assistant. Get it in writing that the agent you list with will be the agent handling inspections and negotiations. You don't want the sale of your home to be treated as a training exercise.

Can we have the names and numbers of 10 previous clients?

Real estate agents sell houses to buyers and services to sellers. The house is tangible yet the service is intangible. Judging the value of any service in advance of actually receiving the service is difficult. Speak to the agent's recent clients to ascertain whether the promises match the delivery.



DON'T BE UNDERSOLD!

What strategy will you employ to get the highest price for our property?

Agents love to talk about 'clearance rates' when selling and marketing their firm. As a home seller, you want a high price, not to take place in an agent's clearance sale. Focus on the agent with the best strategy for achieving the highest price, not clearance rates.

RECENT SALES

<i>26 Pershing Street, Keperra</i>	<i>\$650,000</i>
<i>16 Doorey Street, Keperra</i>	<i>\$552,000</i>
<i>9 Willgarning Street, Stafford</i>	<i>\$599,000</i>
<i>84 Collins Road, Everton Hills</i>	<i>\$629,000</i>
<i>85 Mellifont Street, Banyo</i>	<i>\$535,000</i>
<i>41 Keenan Street, Margate</i>	<i>\$440,000</i>