

# RealEstateNews

INFORMATION TO HELP YOU WHEN BUYING OR SELLING

## Selling to The Right Buyer

### Identify the 3 Buyers that will Bid for Your Property



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**When your home goes on the market for sale, there will be 3 types of buyers that express an interest in it. If you are detached and unemotional you stand a better chance of being able to correctly identify what category each respective buyer fits into.**

The 3 categories that buyers fall into are The Bargain Hunter, The Market Price Buyer and The Emotive Buyer.

Every seller wants to find and sell their property to an emotive buyer, because they tend to pay more.

Every property has a fundamental market price at any point of time. A price that is coherent with all other recent comparable sales in the market place. A price point that can be justified to third parties such as the banks, valuers, mortgage insurance etc, Within reason, the majority of buyers will only buy under these conditions.

It is easy to mistake the first offer from an emotive buyer as a bargain hunter and decline what eventually turns out to be an excellent offer. Early offers are dangerous. The most painful sale in real estate is the offer you accept having declined a higher offer in the past.

What often happens, is the seller declines a market price buyer in the hope of selling to an emotive buyer at a higher price. After a period of time when the seller is prepared to accept the market price, the only buyers still hanging around are bargain hunters. They see the stale unsold listing as weak, vulnerable prey. If the seller does not really need to or want to sell, they can withdraw. But for the seller

that has knocked back the market price and needs to sell, trouble is on the horizon.

#### Independent Valuation

The best way to avoid selling to the wrong buyer and ensure that you sell to the right buyer is to understand the market price of your property before you go on the market. That seems simple enough. This thought pattern derails when the people that discuss the market price also have a vested interest in the sale. The owner of the property and the agents pitching for the right to be the listing agent are often the two people who should not be setting the market price. The owner is emotional about the property and tends to overvalue it. The agent knows the more optimistic they are on price, the more likely it is that they will be chosen to sell the property.

The investment of an independent valuer prior to going on the market can save you stress, time on the market and thousands of dollars during the negotiation. There is an incorrect assumption that valuers tend to come in with a low price. Valuers don't think high or low, they think accurate. Admittedly, the valuer's job is not to tell you the maximum price a buyer may pay for your home. It is the agent's job to do that once the property has been listed for sale.

The valuer's job is to inform you of your homes fundamental market price based on recent sales, market conditions, location, features of the property, land value and replacement costs of the building.

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# Letter from the Editor



## Don't follow the herd

Why is it that when the real estate market is humming along and prices are climbing, everyone wants to buy, and as soon as the market slows, everyone wants to sell?

Many people tend to have a 'herd like' mentality when it comes to buying or selling real estate.

One of the philosophies of the world's richest investor, Warren Buffett, is to buy before the herd starts moving in again.

It seems that many buyers have been spooked by negative press reports since mid to late 2010 even though everybody is saying that "it's a buyers' market".

Right now is exactly the right time to buy. Prices have eased and there are wonderful buying opportunities.

If you are looking to buy or invest in real estate, are you going to follow the herd? (ie when it is too late), or are you going to lead the way?

Best Wishes  
Kevin Walter



# Selling to The Right Buyer

## Identify the 3 Buyers that will Bid for Your Property

(Continued)

### Bargain Hunter

The attitude of the bargain hunter is usually one of, if you are not hurting, I am not winning. It should be your goal to avoid such buyers at all costs. Properties that end up being sold to a bargain hunter do so because the property has been marketed incorrectly over a period of time and/or the seller has time pressure.

You know a property is at risk of being snapped up by a bargain hunter when buyers ask "what's wrong with it?". The tragedy is there is usually nothing wrong with the property, the damage was done during the marketing.

Failing to sell at auction is one of the fastest ways to attract bargain hunters. When sellers sign up to auction, the agent will let them know that the auction deadline will pressure buyers to act. When the auction fails, the pressure has been transferred from the buyers to buy, to the sellers to sell. With auction clearance rates in recent months as low as 26%, there are plenty of bargain hunters looking around for distressed sellers.

If you have an independent valuation, you can identify the bargain hunter when they arrive.

### The Market Price Buyer

Most transactions take place to a market price buyer. That's what makes it the market price. It is natural to want an emotive buyer, one that appreciates the benefits of your property just as you do. But the reality is, buyers that will over pay for a property are the minority not the majority.

It is always a risk of sorts to decline market priced buyers in the hope of selling to an emotive buyer.



Some people who are selling feel that their campaign has been successful if they only achieve market price. In such instances, the seller is well advised to wait for a rising market before they begin the search for a buyer who is prepared to overpay for their property.

Market price buyers base their offer on similar criteria to that of the independent valuer.

They are willing to pay the market price within a few percentage points either way, so long as the purchase price can be supported logically.

If you have an independent valuation, you can identify the market price buyer when they arrive.

### Emotive Buyer

An emotive buyer is one that is prepared to do whatever they can to secure the respective property. In doing so, they are likely to be as unconcerned about overpaying as they are about buying the property.

Emotive buyers tend to emerge early in the sales campaign. They have a strong emotional desire to buy and the financial ability to do so. In the absence of an emotive buyer, give any buyer offering a fair market price the consideration they deserve.

The emotional desire may come from the unique and special features of the property. Or it may come as the result of pressing personal circumstances such as time pressure to buy having sold, frustration at missing out on other properties, close to a certain school or a similar pressing reason.

If you have an independent valuation, you can identify the emotive buyer when they arrive.

### Transparent Bidding

When it comes time to sell, the one thing that you should never do is let your interested parties know what other offers you have received. If you do, you have buyers trying to outbid each other by \$1,000. This is what happens at public auctions all the time. To sell for a magnificent price at public auction, you need two emotive buyers prepared to fuel the bidding. You have doubled the difficulty of the job at hand.

What is quite likely at present is a bargain hunter bidding against an emotive buyer. The end result being the auction stopping \$1,000 above the bargain hunters final bid. Any chance of getting the emotive buyers best price has been lost.

At a public auction, the second highest price bidder will always set the height at which the bidding will reach.

This is the damage the auction system does if you stand a bargain hunter and emotional buyer next to each other at a public auction.

To achieve the best possible price, sell by Silent Auction. Always keep the offers you have received confidential and then pick the best buyer. If you sell by Silent Auction, the highest price for your home is guaranteed.

**For further details on how to sell by Silent Auction contact Walter & Irvine on: (08) 8272 9277**

# BE AWARE OF THE QUARTERLY MEDIAN HOUSE PRICE

KEVIN WALTER

'Median Price' is a term widely used in the analysis of property markets - but exactly what does it mean? It is officially described as the "middle value of all properties transacted during a period of time". For example, In a series of 9 sales, the median value would be the value of the middle sale (5th highest or 5th lowest) sale.

Reporting of median prices can be very misleading under the following circumstances

1. The sample of sales is too few.
2. The timeframe is too short.
3. There is an unbalanced number of high priced sales, or conversely, low priced sales.

One of Australia's leading Property Analysts, Terry Ryder, suggests that no consideration should be given to any median price data if the sample of sales is less than 20, or if the time frame is less than six months. A year is preferred.

Therefore, any reporting of median price data, say on a quarterly basis, may be highly inaccurate and should not be taken on face value as a catalyst for the reader to make selling or buying decisions. Indeed, any attempt to sensationalise a huge median price rise or fall from a small sample of sales in a particular suburb over a quarterly period, should be deemed totally irresponsible.

There are 3 types of lies: "Lies, damn lies and statistics" quoted Mark Twain or Benjamin Disraeli.

Suburbville 1st Qtr	
9 sales	
\$950,000	
\$800,000	
\$750,000	
\$510,000	
<b>\$450,000</b>	<b>Median Price</b>
\$440,000	
\$430,000	
\$420,000	
\$400,000	
<b>Total value: \$5,150,000</b>	

Suburbville 2nd Qtr	
9 sales	
\$800,000	
\$780,000	
\$750,000	
\$740,000	
<b>\$720,000</b>	<b>Median Price</b>
\$400,000	
\$350,000	
\$310,000	
\$300,000	
<b>Total value: \$5,150,000</b>	

The examples above highlight the absurdity of how statistics, although technically accurate, can give a skewed idea from what the reality is.

The median price has jumped from \$450,000 to \$720,000 in one quarter! "An increase of 60%!" say the irresponsible sensationalists. Yet the total value of the 9 sales is the same.

According to Michael Matusik "The median price can actually fall at a time when the market is rising". Conversely, the median price can rise at a time when the market is falling.

My advice is this. Take quarterly median price reports with a pinch of salt, have a giggle if the percentage increase or decrease seems absurd, but certainly do not make any buying or selling decisions based on one report alone. Please contact our office if you would like further information.

**Source: Terry Ryder and Michael Matusik, Property Research Analysts.**



## Myrtle Bank

## Suburb Snapshot

	2000	2005	2010
Median House Price	\$285,000	\$508,000	\$709,000
Median Unit Price	\$126,500	\$248,250	\$375,000
Highest House Price	\$770,000	\$1,205,000	\$1,850,000
Highest Unit Price	\$245,000	\$320,000	\$470,000
Number of House Sales	46	37	58
Number of Unit Sales	13	14	13

Source: RP Data

# Property Presentation. Good Looks Do Count!

**What type of buyer or tenant do you want to attract to your property?**

## Landlords

You should never underestimate how important property presentation is to the tenancy selection process. Good quality clean and tidy tenants are normally attracted to good quality, clean and tidy properties. A property that appears a little run down or that could do with a clean will generally not appeal to those tenants who take their property care seriously.

Worse still, poorly presented properties may attract tenants who have little regard for property care and presentation, because

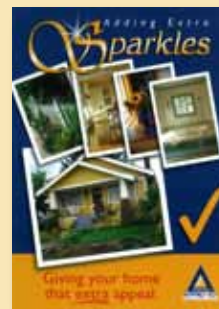
they think that people are less likely to notice if they are not caring for the property.

Property presentation is important and you may need to consider a scheduled 'spruce-up' in between tenancies to ensure that everything is looking fresh and inviting.

## Sellers

This philosophy is also applicable to properties that are for sale.

Buyers are attracted by the appearance of your property and, when they inspect it, they are influenced by its atmosphere. The right appearance outside, followed by the right mood inside, gives you the best chance to get the highest price.



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