

Real Estate News

INFORMATION TO HELP YOU WHEN BUYING OR SELLING | February 2011 |

Bought Elsewhere, Must Sell

Be wary of real estate's most dangerous trap

The worst predicament for a home seller is when they are forced to sell their home within a set deadline. They are essentially at the mercy of the market. Some people run into unavoidable and unfortunate circumstances such as financial pressure or job loss. Such circumstances usually cannot be avoided and need to be dealt with as best they can be at the time.

On another front, what is common in a tight real estate market is when people buy before they have sold. By choice, they have turned themselves into a 'Must Sell' client.

There is a great saying, "the best time to sell is when you really don't need to sell."

Due to being indifferent to the outcome, you have more time to hold out for your price and terms. When people buy before they sell, they forgo this advantage.

When a home seller needs to sell within a set time, these same principles can now work against them. They need to sell for the best market price on offer, within the marketing time frame. And there are no certainties about what the outcome will be.

In 75% of cases, the result is



1 Bright Street, listed and sold in the same month

acceptable enough for the seller. But it is the remaining 25% of cases where the best market price is below the seller's desired price. When this happens it can be devastating.

If you go to the market 'when you really don't need to sell', you are more likely to hold out against the market until/ unless you achieve your 'desired price'.

Must sell – Will meet the market

The confronting reality of having to sell within a set time frame really only dawns on the homeowner once

they have committed elsewhere. With auction clearance rates running at 50% at the end of 2010, setting a 'deadline for the sale' may not be the magic bullet that it appears to be. Buyers will be told at the auction that the owners are prepared to 'meet the market'. This is code for 'must sell'.

Telling yourself that you will 'just rent it out if you don't get your price' seems stoic at first. That is until you work out that you are paying a mortgage rate of over 7.5% on a property that returns 4% in rental income.

continued on page 3

LETTER FROM EDITOR



2011: The Year Of Consolidation

Now that the holiday season has past, it is back to business as usual. We are expecting a "normal market" year. This means that while there are no major price movements expected, it will be a year of high turnover. A lot of property is expected to change hands.

One of the characteristics of a "normal market" is consistency and stability. What does this mean to you?

Stable markets are the best time to sell and buy. This is where you can sell your property at a good market price and then buy in a similar market, without having to be pressured due to rising prices and short supply.

Boom markets can be very frustrating, because while you can easily sell and get an incredible price, the problem starts when you then need to buy. The pressure is to buy quickly so that you don't pay more than you expected. This can lead to making wrong decisions.

Therefore if all the experts are correct, this is the year to move from a place that is no longer appropriate to your circumstances, to where you really want to or need to be living.

Also the experts are predicting major increases in rents in 2011. If this is the case then this is a time for investors to come back into the market.

I hope you enjoy reading this issue.

If we can assist you in any way at any time, please give us a call.

Tony Abboud

Principal

Why you should buy your own home

It feels good.

The feeling of paying off your own home gives you and your family a feeling of pride and satisfaction. The feeling of home ownership should be experienced by everyone.

It gives you emotional security.

Having a home creates a feeling of belonging. Home is where you are always welcome. No-one can come into your home without your permission. Your home is your castle.

It gives you financial security.

Saving can be hard. Buying a home is a great form of saving as each payment takes you closer to the day when you achieve total ownership. Your home soon becomes your greatest financial asset.

It keeps your family together.

Your home is the foundation for your family unit. As your children grow, they will feel secure - because home is always 'there'. The welcome light will remain on until all the family is home each night. Homes make families better.

It occupies you.

You don't occupy a home as much as the home occupies you. There is always something to do around the home. You and your family will enjoy thousands of hours at home.

It takes care of you.

When you are sad, your home will lift your spirits. When you are ill, your home will comfort you. When you go away, you will miss your home. When you come home, you will feel that special warmth only a home can give. Your home is your sanctuary.

It records your life.

A home is full of memories. The word 'home' is a positive word. When you think of home you think of all the dreams, the fun and the great times. Your home has special feelings. From the scent of the garden to the way the sun enters your favourite room, your home triggers wonderful thoughts.

Your home is you.

You belong at home. Your home is part of you. It's the heart of your life, a part of your soul. It's the anchor of your family's togetherness. You, your family and your home are as one.

Buy a home. It will be one of the great joys of your life!



Bought Elsewhere, Must Sell continued from page 1



If you have to sell your home because you have bought elsewhere, there are not really any simple answers if the best market price is below your desired price.

It is best to know all of your options upfront before buying or selling to avoid being caught short once you have 'committed elsewhere'.

Buy First or Sell First?

It seems elementary that you would not want to find yourself in the position of having to sell within a set time period. But many people unwittingly put themselves in this position. They end up being a committed seller simply because they buy before they have sold. They have excess confidence that their current home will sell well, and quickly. Friends and family are equally reassuring when they say, "you will have no problems selling this place". Acting on such unqualified advice is a common and potentially dangerous financial decision to make.

Most people that buy before they have sold do so because they fear selling their current home and being unable to find a suitable replacement home. It is a somewhat justified concern too. No one wants to be left homeless. If you do sell before having bought, you can always rent as a worst case scenario should you be unable to find a suitable property in time.

Would you rather rent because you sold your home for a high price or would you rather sell your home for a bargain because you bought

elsewhere and needed a quick sale?

When it comes time to buying and selling the family home, you will either own 2 properties or no property, depending on whether you buy first or sell first.

Simplistically, in a rising market you may be more inclined to buy first and own 2 properties. In a static or falling market, it would be more prudent to sell first. Being without a property for a short time in a flat market is not such a concern.

The trap is when a weakening market is mistaken for a strong market.

At present the market is unpredictable. The auction clearance rate is fluctuating. When you think the Reserve Bank (RBA) will leave interest rates alone, they raise them. Then when the data suggests a rate rise is coming, they pause. One research note suggests that Sydney home prices will rise 20% in the next 2 to 3 years and then the Economist magazine publishes an article stating that Australian house prices are 40% overvalued and is a bubble waiting to pop.

We won't try and predict what the real estate market will or won't do in the next 12 months. However we can confirm that like all markets, the property market is prone to gyrate. It can quickly and easily move up or down by 5%. If you buy first and then expect \$1 million for your home, selling it for \$940,000 or \$950,000 can blow a hole in your financial affairs.

If you buy first, you will have the

pressure of having to find a buyer.

However, if you sell first, you are faced with the pressure of having to find the right home before settlement takes place on the home you just sold.

Generally speaking, it is easier and safer in having to find a home within your budget, than having to find a buyer at your desired price point in a short time frame.

Long Settlement

To avoid being crunched by circumstances, whether you buy or sell first, negotiate a long settlement in to the contract. A long settlement allows you the time to respectively find a suitable buyer or a suitable home.

If you buy first, you need a settlement of at least 12 weeks. 16 weeks or more is better though. 16 weeks allows you 8 to 10 weeks to find a buyer and a further 6 to 8 weeks to settle the sale. Even though you are unlikely to buy and sell on the same day (exchange contracts), you should aim to ultimately have settlement of the purchase and the sale on the same day. If you can settle the purchase and sale at the same time, this ensures you avoid bridging finance.

"Aim to ultimately have settlement of the purchase and the sale on the same day."

Game Plan

It is best to write up a plan prior to buying or selling. Work out timelines, house preparation, selling agent, building inspectors, solicitors, photos and finances prior to buying or selling. Once you are committed in a contract, the clock runs down quickly. You can buy yourself a lot of time by being prepared in advance. Interview local agents well before you need their services. Impulse buying is fine, so long as it is not done in real estate. The stakes are too high to get it wrong.

For further assistance on how best to buy and sell safely, contact the team at Snowden Parkes on 02 9808 2944.

How to avoid costly mistakes when selling

Jenman booklet sets out the 18 worst mistakes made by home-sellers

How do you avoid the pitfalls of selling a home and ensure you sell well and make sound financial decisions that will guarantee you and your family security for the future.

A booklet published by Neil Jenman, a renowned real estate educator, sets out the 18 worst mistakes made by home-sellers. Snowden Parkes Real Estate follows the Jenman principles of trading in real estate and urges anyone that is considering selling their home to read the booklet first.

The booklet entitled 'The 18 Worst Mistakes Made by Home-Sellers' sets out how sellers can avoid mistakes and sell wisely.

For Example, it warns home-sellers that typical real estate advertising can potentially lower prices. One of the worst mistakes made by thousands of sellers is that they do not realise how agents use advertising to promote themselves. And very few sellers realise how advertising damages the value of their homes. Advertising becomes a great "conditioning tool". It is used to persuade you to lower your price.

The more a home is advertised and the longer it remains unsold, the easier it is to persuade you to lower your price. When buyers see a home advertised week after week, they wonder what is wrong with it. It can easily become known as a lemon. And lemons get lower prices.

Agents say that advertising attracts buyers. But almost all buyers never buy the homes they first called about and even those who do, would still have bought the homes. Buyers do not buy because of advertising. They buy because they like the homes.

If advertising really was the cause of selling your home, why would you need an agent? You could put ads in the paper yourself and save thousands in commission.

Agents may say your home needs lots of "exposure". But exposure is like sunburn. The more you expose your home with typical real estate advertising, the more you burn your price.

Many agents who have stopped typical real estate advertising have saved sellers



thousands of dollars and achieved better prices.

Your solution...

YOU ARE THE SELLER OF A HOME, NOT THE BUYER OF ADVERTISING. If the agent can't show you how to sell your home without damaging its value through typical advertising, choose another agent. The best agents protect the value of your home. They know how to attract buyers who pay the best prices.

Don't sign anything! ...Unless you understand how typical real estate advertising gets lower prices.

To find out what the other 17 mistakes are contact Snowden Parkes on 02 9808 2944 to receive your free copy of 'The 18 Worst Mistakes made by Home -Sellers'.



Real Estate
Careers

Great people.

Satisfying.

Career paths.

Winning agency.

An environment where you can excel

Here at Snowden Parkes we're always keen for aspirational individuals to join our Sales and Property Management teams.

We offer plenty of rewarding career opportunities and a nurturing environment which breeds success. So if you're up for a challenge and are looking for a long-term real estate career, we'd love to hear from you.

snowden
parkes

☎ 02 9808 2944 | www.snowdenparkes.com.au
14 Church Street, Ryde
email: property@snowdenparkes.com.au

Disclaimer: It is not intended that the information and opinions in this newsletter be treated as advice professional or otherwise. Tony Abboud and Snowden Parkes Real Estate do not accept any form of liability, be it contractual, tortious or otherwise, for the contents of this newsletter or for any consequences arising from its use or any reliance placed upon it. The information, opinions and advice contained in this newsletter are of a general nature only and may not be applicable or appropriate to your specific circumstances. As there are many pitfalls associated with buying and selling real estate it is important to get professional independent advice.