

PROPERTY FOR INVESTMENT & LIFESTYLE

KIWI PROPERTY INVESTOR

KPI

WWW.KPIMAGAZINE.CO.NZ

JUNE 2005

NZ/AUS \$8.95 Issue 31

**BUDGET
2005**
WHAT IT MEANS FOR
INVESTORS

Grant Fox on the Lions, Wizard (but not the wardrobe)

Bob Jones takes aim at his bête noir

WIN \$500 Terranet credit

What future for Gulf Harbour?

Tips for dealing with problem tenants

How to sell in a soft market

Diversify with Managed Funds

**INVESTING IN
APARTMENTS:
OFF THE PLAN
OR EXISTING?**



9 419050 000013 >

A glowing red EXIT sign is the central focus of the image. The sign is rectangular with the word "EXIT" in large, bold, yellow letters. It is set against a dark, smoky background with a strong red light source, creating a dramatic and urgent atmosphere. The sign is slightly tilted and appears to be mounted on a wall or ceiling.

EXIT

Exit Strategies For A Soft Market

Patrick Bright provides a guide on how to sell your property for the best price you can when the heat has gone out of the market ...

Despite what you might think, I believe there are only really two reasons a property doesn't sell ... either no one knows it's for sale or the asking price is too far off the mark. In a soft market these two factors become even more critical to get right.

A soft market typically has one or more of the following factors creating it:

- Over supply of stock (more people selling than buying)
- Lack of buyer motivation or urgency
- Buyers perception and confusion about the state of the market

So the question is, how do you, as a seller, overcome these issues? The best way is to hang in there till the market firms up if you don't really have to sell. However if you do, then I recommend you consider the following strategies.

Essentially you have to stand out from the crowd of sellers trying to gain a reduced number of decisive buyers' interest.

Your Marketing Method

Your marketing method will need to be appropriate for the type of property and what the buyers in the area are comfortable with. If the property is unique or has something special about it, and the majority of properties in your price bracket go to auction, it might be the better method to sell under. Even though auction clearance rates are down, it still might be the best way to attract prompt attention to your property. However if you're

not comfortable with that, like the majority of sellers, then stick a price on it but make sure you're pretty close to the money.

For example, in a booming market you could put a property worth \$900,000 on the market for \$950,000, as it wouldn't take that long for someone to throw an offer at you somewhere in the middle. Besides, if you waited a few extra months the property would end up being worth the asking price anyway.

However in a soft market, assuming today's real market value for your property is, say, \$900,000, and you're asking \$950,000

(thinking you're leaving some room for negotiation), then you could miss gaining the interest of cashed-up buyers. In a soft market accurate pricing is critical. In this situation, if you had to sell, I would recommend that you advertise the price of the property at no more than \$910,000.

However if you feel that the market in your local area has the potential to fall further before it plateaus, I would advertise it at \$899,000 ... and take an offer that is \$890,000 plus. You're better off to take a \$5,000 or \$10,000 loss now rather than miss today's market value and end up chasing tomorrow's. You don't want to be in a position when the property starts to go stale on the market, or you have had a couple of price reductions down to the \$900,000 mark as you discover that the real market value for your property has now dropped down to \$890,000 or lower - and then you may have to put it on at \$880,000 to pick up any interest. I have seen dozens of

"In the booming market of a couple of years ago, you could have stood a potato with legs at the front door and sold property the way buyers were throwing offers and signed contracts around"



vendors make this mistake over the past 18 months. If you have to sell in a soft market and sell promptly, make sure you adopt an according selling strategy and price it right.

Agent Selection

In a soft market, selecting the right selling agent for your home becomes ever so critical. The selling agent you choose will really have to be on the ball more then ever. In the booming market of a couple of years ago, you could have stood a potato with legs at the front door and sold property the way buyers were throwing offers and signed contracts around, leading up to the slow down towards the end of 2003. But not so in a slow market.

Now the tide has turned for buyers (for the time being) and the best way - in any market for that matter - to select an agent is by referral from someone who had a good experience. Failing that read the chapter in my book "The Insiders Guide to Buying Real Estate" on how to select a selling agent to sell your home.

Point Out The Property's Unique Features And Benefits

Once again, subscribing to the theory of making your property stand out from the crowded market place to attract a buyer, I suggest you make a list of all the reasons why you like the property and ensure that it is incorporated into the marketing campaign and brochures. For example, what are the benefits of living in the property? Why did you choose it in the first place?

Have Property Reports on Display

Have pest, building and/or strata reports on display. If you want a buyer to be able to make a prompt decision on your property, give them the tools to do so. If buyers are considering a couple of properties and yours is the only one with inspection reports on display, they are more likely to pursue your property first over the others. For the cost of a few hundred dollars, it will be money well invested in luring a buyer to your property over another.

Inspection Times – Be Flexible

Do structured open inspections at least twice a week and be very accommodating with private inspections outside your scheduled open times. If you're not flexible on this, it can be very frustrating for buyers who can't make the open inspection times due to work commitments. Just imagine a department store that was trying to sell its wares only being open once or twice a week for 45 minutes at a time. Put simply, home-owners that are more accommodating are more likely to sell their home.

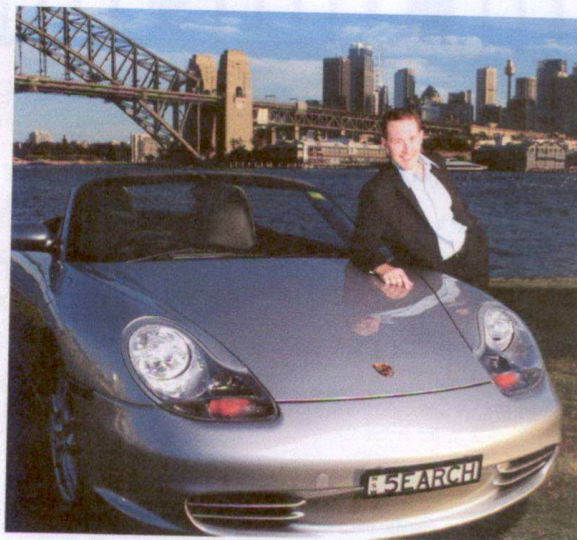
Have An Acceptable Sale Price Written Down

Finally, I recommend that you become clear on what you are prepared to take for your home before you place it on the market. If a good offer comes in early, don't make the mistake of being greedy and saying to yourself, "if we are getting offers this good week one, let's see what we will get next week."

And if you receive an acceptable offer week one or two into an auction campaign, take it. If the buyer is keen to buy then and there, they may not wait around till auction day hoping you'll accept their offer then. I have purchased many properties well below what the selling agents told me they had offers for from other buyers in the first couple of weeks.

If the offer is what you were hoping to achieve (based on a realistic price expectation) take it, as you may not see an offer like that again ... till the market picks up that is.

"If buyers are considering a couple of properties and yours is the only one with inspection reports on display, they are more likely to pursue your property first over the others. For the cost of a few hundred dollars it will be money well invested in luring a buyer to your property over another."



Patrick Bright is an exclusive real estate buyer's agent and is the best selling author of the "Insiders Guide to Buying Real Estate". He is based in Sydney, Australia and purchases homes and investment properties for his clients. For more information on purchasing real estate visit www.epspropertysearch.com.au

