In order to persuade sellers to sign up to an auction, agents use the equivalent of the three-card trick (they call it a ‘three-phase selling process’).

You can sell before the auction, at the auction or after the auction, they reassure you. If your home fails to sell at the auction, they will tell you it’s normal because failing to sell at auction is just ‘a part of the process of determining the market price’.

Phase 1 — Selling before the auction

Unfortunately, not much effort goes into trying to sell your home before an auction. If an enthusiastic buyer happens to inspect your property before the auction and wants to make an offer, there is a chance to secure a sale before the auction goes ahead.

This doesn’t happen very often. Some agents may even advise the buyer to wait for the auction date.

In general, agents don’t like selling beforehand because they get very little publicity from this kind of sale. They love to build their profiles through the auction process as often as possible. Be wary of the agent whose listings are loaded up with auction campaigns.

Phase 2 — Selling at the auction

In reality, the public auction system is all about forcing or conditioning the seller down to a price where the property sells within the shortest period of time. Behind closed doors in agent training meetings and seminars, agents refer to auctions as ‘the fastest and best conditioning tool’ they have at their disposal.

The reason agents push auctions in weak or turbulent markets is because the transparent bidding process gives owners a ‘reality check’ if they need it.

Instead of signing up for a successful selling campaign, you may be have unknowingly signed up for the classic 3-card trick.

When the auction publicly stops below the reserve price, agents say: ‘It’s the buyers telling you your price expectation is too high, not me’. This takes the pressure off the agent and transfers it neatly to the seller.

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• How’s the market? Steady, not spectacular
• When is the best time to sell?
• Recent Sales
The start of the 2018 property market has been solid without being spectacular. Unlike the boom years where properties could sell for literally anything, the current market is fairly predictable.

This makes accurate pricing crucial to a successful sales campaign. The odd property is still outperforming the broader market albeit the exception rather than the rule. Parallel this with the boom years where it was each vendor’s expectation to set a new high price point on their sale.

For those looking to buy and sell in the same market, some softness in prices and predictability in the market actually makes it easier to buy and sell at the same time. This is an overlooked benefit in discussing the current property market. A symptom of a boom is very low stock levels which means people are essentially forced to buy and then sell. If they sold first, they faced being locked out of the market at a time when it was growing rapidly.

In a normal market that is more balanced between buyers and sellers, stock levels tend to be higher meaning selling and then buying becomes more prudent. As part of the regulators crack down on aggressive lending into the property sector, banks also favour people selling first. Some people who have bought first were surprised at their banks new found reluctance towards bridging finance.

As what happened in the back end of 2017, banks and their tightened lending criteria continue to play a crucial role in the market’s performance.

Core Logic RP Data’s February figures for Sydney showed that apartments are outperforming houses. Houses were 0.8% for the month and -2% for the past 6 months while units were 0% for the month and 3% for the past 6 months. This seems to be an unexpected result and could be either a surprising trend or a rogue result distorted by brand new high rise sales completing from the boom years.

Many agents are continuing to experience high enquiry and inspection numbers, however, this hasn’t necessarily translated into multiple buyer scenarios. The initial buyer interest and sentiment seems high albeit with a softer underbelly when earnest negotiations commence.

Landlords have every right to be aggrieved at the moderate rental growth. There is no discernible growth in weekly rents on the horizon for landlords. As holding costs and taxes such as land tax and council rates escalate, this dilutes the net return for landlords. The toughest times may be in front of landlords who are negatively geared. Costs are likely to rise and income growth looks to have stalled at a time when the asset value is under price pressure.

It is all of the above reasons that first home buyers will be finding the concept of owning a Sydney property all the more attainable.
Often the agent’s real motive in selling an auction campaign to a vendor is to allow the auction process to push the vendor down in price so a quick and easy sale can be achieved.

If you doubt this, ask the agent why all auctions start the bidding process below the reserve price. Less than 50 percent of auctions achieve the reserve price which causes the seller to either pass the property in or drop the reserve price during the auction.

Phase 3 — Selling after the auction

Any hope of achieving a high price for passed in properties is dashed as many buyers view properties that fail at auctions as damaged goods. After a home is passed in, the seller often reluctantly commits to selling their beloved home for a lower price post-auction. Unfortunately, only the agent and the buyer are happy.

When the seller refuses to believe what the auction process is telling them, a sale by private treaty is likely to occur a few weeks later at a higher price.

If you sign up for an auction envisioning a big crowd of buyers in your backyard ferociously bidding to secure your home, that is your fantasy, not the agents. Your agent will have a different motive for convincing you to go to auction.

Instead of signing up for a successful selling campaign, you may have signed up for the classic three-card trick.

‘The 3-card trick’ is Chapter 35 of Real Estate Uncovered by Peter O’Malley.

We have 50 complimentary copies of the book for those looking to sell smarter in 2018. To receive your copy, simply contact us (02) 9818 2133.
WHEN IS THE BEST TIME TO SELL?
Market conditions versus the selling season

Once the decision to sell a property has been made, the next question is usually ‘when?’

There are myths and methods to work through in order to get the right answer.

The best time to sell is when you are offered the right amount. If that happens unconventionally such as an unsolicited offer or a strong offer in the first week of the campaign, then that may be the best time to sell.

There tends to be 5 unofficial market cycles throughout the calendar year.

New Year listings – these tend to be listed after Australia Day with the intention of selling before Easter (which comes relatively early this year). With the lack of stock over December and January creating pent-up buyer demand, this can be a reasonable time to sell. Particularly those that are in the market first to engage New Year buyers.

Post-Easter autumn market – campaigns in this part of the year have the intention of getting sold before winter sets in. By this time of year, the market has usually found its level and can be a high transaction period as there is a fairly good understanding of where the market price is set. Sometimes, larger external events can upset the seasonal trend too. For example, in May 2017, the Federal Governments May Federal Budget was particularly tough towards bank lending into the property market. These changes - brought about by the bank regulator, APRA - saw the Sydney property boom of 2012 to 2017 come to an almost sudden stop.

Winter market – stock levels tend to be tight during winter. Admittedly many properties don’t present their best in winter. However, winter should not be instantly dismissed as a poor season to sell. Stock tends to tighten more than demand does during winter, creating clear advantages to the winter property sellers.

Spring market – spring is by far the most overrated time of year to sell. Even during the boom years, there are clear examples where the clearance rates softened as excess stock on the market diluted demand. A great strategy can be to sell in winter with a long settlement and buy in spring when listing numbers are at their highest.

Pre-Christmas market - The excess spring stock begins to subside by about early to mid-November. This can throw up a selling opportunity for the unsold stock from earlier in the year or those who suddenly decide to sell pre-Christmas. It would surprise most people how many transactions are completed in late November and December.

Economics trump seasons when it comes to deciding upon the best time of year to sell.

If the market is rising, you can afford to be patient and relaxed about the timing of the sale.

When the market is falling, waiting for a better season may not be your best option as prices are facing downward pressure.

This is the dilemma many now face in the current market. There is downward pressure on prices as we head into the autumn and winter markets. Is it better to sell in a (perceived) less desirable season or wait for the traditional spring selling market?

It’s a classic market condition vs selling season debate.