

A FOUNDATION OF HONESTY

In This Issue

A FOUNDATION OF HONESTY

Business guru, Gary Pittard, has a closer look into the tarnished reputation of our industry

THE PHANTOM BUYER

Don't be fooled by the tactics of an unskilled agent

FREE GIVEAWAY!!!

This issue's book giveaway covers the dangers of real estate

5 TIPS FOR LANDLORDS

How to best play the current market

A MESSAGE FROM THE WEST RYDE TEAM



Gary Pittard, CEO of Pittard agency profit consultancy and author of 'Why Winners Win', has followed survey results of established market research company Roy Morgan for 25 years. Despite having met thoroughly decent real estate agents over the past 30 years, far more than the 'other type', Gary noticed the position of the real estate industry moves very little in the list of most trusted professions.

So why does the industry have such a poor reputation? It's simple: Over quoting to sellers & Under quoting to buyers

Agents can argue as much as they like about whether this happens, but a recent spate of \$800,000 fines on some Victorian agents for over or under-quoting should be ample evidence that this practice is alive and well. And not to suggest it stops at the border into NSW, Queensland or South Australia.

Gary was kind enough to share the following article with us as he addresses a team of agency professionals.

A Foundation Of Honesty - Gary Pittard

Character issues aside, let's think about why it happens. One reason alone: **Salespeople do not know how to handle PRICE.**

Salespeople know that regardless of the market – boom or down-turning – sellers almost always expect more for their properties than they are worth. Honest agents who give honest price appraisals risk sellers' displeasure and risk losing listings. So, the weaker and/or less ethical adopt the attitude, "If you can't beat them, join them", and quote high because "that's the way it's done".

But now they paint themselves into a corner. **They have begun the relationship on a foundation of dishonesty.** By allowing sellers to believe that their unrealistic expectations are achievable, salespeople now must use techniques to persuade sellers to retreat from their high prices. Enter buyers.

Salespeople lure buyers with low price ranges – "Offers above \$x" – their argument being that they will get buyers to their open inspections and, once they get offers, they "can negotiate the offers upwards".

The fault with this thinking is that if you quote low you will get low offers. And when you negotiate from a low base, you will always get a lower price than you'd get had you started high. Any negotiation expert will tell you that.

Agents then present these low offers to sellers saying things such as, "Market feedback is lower than we expected". It used to be called 'Conditioning'. Now it's called 'Educating'.

continued on page 3...

1/1020 Victoria Road, WEST RYDE, NSW 2114
(02) 8006 2114 | westryde@harcourts.com.au

Sales Department

Harcourts West Ryde
www.westryde.harcourts.com.au

THE PHANTOM BUYER

The buyer you've been negotiating with THAT DOESN'T ACTUALLY EXIST



If the seller's price expectations are out of line with the current market, agents have an abundance of tricks to cure the seller of their wishful thinking. Some of the tricks designed to drive the price down are obvious, such as conditioning where you are bombarded with negative feedback on your home, so that you emotionally detach from it and drop your price to ensure a quick sale.

The phantom buyer tactic is far more subtle than constant conditioning. It is the low offer from a buyer, a buyer that does not actually exist.

Why would the agent present an offer from a buyer that does not exist you may ask? The agent is on a discovery process. They are using a phantom buyer, who has made a phantom offer, to discover how low you will go in price. Once the agent knows how low you will go in price, they will aim to replace the phantom buyer with a real buyer.

They are using the phantom offer to get your price down to where they know the property will sell.

As an example, let's say that you have instructed your estate agent that you want \$1 million for your home. After a month on market, the agent has received constant feedback that the property is worth \$900,000.

You get fed this feedback as a verbal offer. After one or two initial "phantom offers" around \$900,000, you may begin to accept that \$1 million is too high.

You provide the agent with an instruction that you will counter offer the "buyer's offer" of \$880,000 at \$940,000. You mistakenly think your agent is trying to negotiate the buyer up \$60,000 to your new target price of \$940,000. When in actual fact, the agent has just negotiated you down \$60,000, against yourself.

The agent's second act to ensure the phantom buyer produces a sale to begin introducing new buyers, at the new price of \$940,000.

So goes the pitch, why offer it to one buyer at \$940,000. Let's tell all the buyers the price of \$940,000.

When the Phantom is not the eventual buyer but Mr and Mrs Reality are, most people rarely reflect on how they came to sell to Mr and Mrs Reality at this price. They are just happy to get a sale and move on.

Spotting the phantom buyer will become easy when you know how to spot the clues to this rogue's existence. Once identified, you can avoid being played off a break.

Looking For Clues



Firstly, the Phantom loves the house but hates the price. There are no other areas of concern besides the price.

Secondly, the Phantom does not have a name, and the offer has not been put in writing or on a contract. The offer has only been verbally communicated via the agent. Your solicitor has not heard from the Phantom's solicitor and no checks or searches such as a valuation or pest and building inspection has taken place.

Thirdly, when you chat with the agent, it's like the Phantom is the last buyer left on planet earth. Discussions about other interested buyers and/or strategies to attract more buyers evaporate. All discussions are exclusively about the Phantom's offer.

Last but not least, if you happen to call the Phantom on his offer and accept it,

there will be a turn of events. The agent will regretfully tell you that the Phantom's dog passed away, or the Phantom's wife changed her mind, they had an offer accepted elsewhere. But don't lose all hope, we just managed to find another buyer that may be interested at about the same price the Phantom was interested at.

Would you sell to another buyer aside from the Phantom for the same price? It is only if and when you are asked this question that you realise the Phantom only ever existed in your own mind. The agent has played a ghastly trick on you, ruining the fairytale of a sale.

Not On My Watch



Ray is a seasoned businessman, albeit retired nowadays. Let's just say he has seen a few shysters and spruikers come and go in his day. When Ray came to sell his home, he employed one of Sydney's top (apparently) agents. The property in question had some factors that made it a fairly challenging property to sell. And didn't Ray get reminded about the factors and faults affecting the sale over the course of the 4 months he was on market?

Every buyer was extremely negative about the home. Except one. You guessed it, the Phantom submitted an offer \$400,000 below the asking price. After 4 weeks of "negotiations", Ray relented to the agent's wishes and said that he would accept the Phantom's offer.

The next day after Ray had finally accepted the offer, the agent had to deliver the bad news that the Phantom had bought another house. But if Ray was okay with it, the agent had a few other buyers that may be interested in Ray's home at the same price the Phantom offered.

Ray did what anyone and everyone should do when the agent introduces a phantom buyer, he fired the agent.

continued from page 1...



The technique is the same –deliver good news during the listing and bad news during the marketing campaign, with the hope of getting sellers to reduce.

How often have we seen buyers who have been given low price estimates pay for pest and building reports and then attend the auction, but never get an opportunity to bid because the price has galloped beyond the lower price estimate given to them by an agent?

These are disgraceful practices and agents who indulge in them should be struck off for life, not merely fined.

The smarter approach is to lay client relationships on a foundation of honesty. **Tell sellers the truth about the likely sale price of their property.** I realise that this is easier said than done: **it takes skill.**

I have often said, "To tell the truth in real estate and still win the business, you had better be an outstanding presenter". There are techniques that will allow you to handle price honestly, with both buyers and sellers.

Learn these techniques and you will make sales and keep your integrity intact. You will enjoy a successful real estate career.

Don't let anybody tell you that it cannot be done. Handling price and laying foundations of honesty make for a rewarding and prosperous career, and meaningful client relationships. Many agents do business this way and you can too.

TAKE ADVANTAGED OF OUR FREE BOOK GIVEAWAY

Andrew Trims' *Real Estate Dangers And How To Avoid Them* is your must-read guide to the residential property market, whether you're looking for your dream home, seeking to sell a property, or aiming to flip or rent out an existing investment.

Selling is stressful enough without having a bad agent working for you so we want to help you choose the right agent who can help achieve thousands of dollars more with a fraction of the stress.

Secure your FREE, No Obligation copy. Contact Harcourts West Ryde now and we will send it out within 24 hours



5 TIPS FOR LANDLORDS ON HOW TO PLAY THE CURRENT MARKET

Stay attuned to the market The vacancy rate in Sydney has surged in recent times. The thousands of apartments built across Sydney have created a (short term) excess of rental listings. Population pressure will absorb this in time provided residential construction levels contract, which is likely. The excess of apartments has seen downward pressure on weekly rents, even in locations that don't necessarily house these new apartment towers. This softening in the rental market is particularly galling for landlords who face declining income at a time of rising costs. The only thing worse than knowing about the decline in weekly rents is not knowing. If a landlord and/or their managing agent is unaware of the market deterioration, you can inadvertently overprice and remain vacant for longer.

Maintain maintenance standards The surge of brand new apartments has highlighted the need for urgent repairs and maintenance on many neglected rental properties. Whilst a home buyer who wishes to purchase a terrace house wouldn't consider a modern apartment, a tenant tends to be less parochial. Whilst vendors who are selling a house are not competing with apartments, landlords are. Therefore, it's advisable that landlords examine the standard of their rental property against other newer dwellings in the marketplace.

Maintain harmony with existing tenants If and when you have good tenants, ensure they are respected and their needs met by the property manager. Whether it is a maintenance request, lease extension or rent review, aim to be reasonable and fair minded in discussions. This is not to be confused with being excessively accommodating. The best tenants pay on time and respect your dwelling. To lose such a tenant and pay letting fees to hopefully find an equally suitable replacement just drives costs up. Consistent and continual income enables money to be invested in maintenance.

Inspect your investment property Whilst video tours have greatly improved the quality of condition reports landlords receive on their investment property, nothing beats personally inspecting it. The benefit of inspecting your investment property is you get a true sense of how the property is being treated by tenants and overseen by the property manager. When tenants and/or agents have a maintenance expenditure request, you will enjoy a more insightful sense of the credibility of the request by having recently inspected your investment property.

Identify and avoid areas of income loss Vacancy, avoidable letting fees & neglected maintenance that turns into renovations are areas that can needlessly cost landlords. Overpricing greatly increases the likelihood of vacancy. Admittedly it seems cruel if you are being told you are overpriced when you are priced at or below what you have previously leased the dwelling at. Tenants that are not respected leave and the landlord ultimately pays avoidable letting fees. The cliché a 'stitch in time saves nine' not only applies to your garments. It applies to your investment property too. Treat maintenance as an investment in your investment because neglected maintenance issues turn into renovations.

Harcourts West Ryde a brief message from your local Residential Sales Specialists



79 Boronia Street
ERMINGTON

If you or someone you know have made the decision to sell, keep in mind that you are about to engage in a process which predominantly begins with an assembly of individuals with a licence to sell real estate, demonstrating how their services will benefit you most in an attempt to obtain your business. During this process you will no doubt be shown a variety of marketing packages which may claim to offer varying results for a successful sale so just ensure you take into consideration that **IT'S NOT THE SIZE THAT COUNTS, IT'S HOW YOU USE IT.**

When the owner's of 79 Boronia Street decided to sell with us, we illustrated how our most basic marketing campaign, which includes, Property Photo's, Floor & Site Plan, Generic Signboard, Property Brochures and Listed on 4 Mainstream Property Sites as well as our Harcourts Global and Individual Website, can achieve the same successful result as the other more 'Premium' campaigns claim to do. If buyers primarily search for properties from a smart device, what greater value does a larger listing photo have when all the listing photos are the same size on a smart device? It's not hard to guess what the owner's decided on. And rightly so. Their property went **on the market on a Friday**, that weekend they'd received **over 2,300 views**, had **33 Groups** inspect the property and by Thursday we were holding **4 written offers**.

To discuss our 'Sell Smart' strategies, contact our team on the details below to book your free property appraisal

1/1020 Victoria Road, WEST RYDE, NSW 2114
(02) 8006 2114 | westryde@harcourts.com.au

Sales Department

Harcourts West Ryde
www.westryde.harcourts.com.au