Tim Altass Real Estate

RealEstateNews

INFORMATION TO HELP YOU WHEN BUYING OR SELLING | August 2012 |

The TWO reserve prices at Auctions

BY SIMON NOLAN

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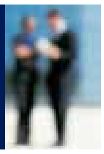

At an auction, the property cannot be sold until the bidding reaches the sellers reserve price. Many sellers that sign up for an auction are comforted by the perception that the reserve price will protect them against underselling. *"If we don't get our price, we're not selling"* is confidently stated with bravado and conviction to the agent, friends and family. Sadly, in the heat of the moment and occurring every week wherever auctions are held, most sellers, regardless of age, experience, sex or demographic, cave into the pressure and do the opposite.

The reserve price is usually set prior to the auction in a non threatening, low pressure environment. This first reserve is then given to the auctioneer in writing on auction day. To most agents this first reserve is completely irrelevant to proceedings. If the auction stalls below this reserve price, which is happening in many instances at present, the agent will then focus on getting a second reserve price to be 'agreed' to by the seller, one that has never been mentioned and if it had back when the first reserve was set and there was no pressure, it would have been flatly refused by most vendors. Many sellers are unwittingly caught out by this "second" reserve price that they don't even know is an option.

Cutting down a sellers thinking time in a high pressure environment is a key part of the agents conditioning process

The second reserve price is usually the price point below the written reserve at which the auction has stalled. The crowd will be told by the auctioneer *"ladies and gentlemen, please wait a moment whilst we seek instructions from the vendor"*. Suddenly the pressure of a waiting crowd, the heat of the auction process and the deadline to make a decision, all the reasons that were touted as the basis of going to

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auction in the first place, are turned around and used to get the seller down in price. The blow torch of pressure is applied to the stunned owner and in the case of the second reserve the agent does not require it to be in writing, they just need the seller to nod their head in agreement. The seller is given little if any time to consider their thoughts or the consequences of their new, lower reserve as they lose to the emotion of the auction. Cutting down a sellers thinking time in a high pressure environment is a key part of the agents conditioning process, "a quick decision is a good decision", for the agent that is. All sorts of tactics and statements are quickly wheeled out; *"put it on the market, it'll stimulate the bidding", "we're losing the buyer, he's gonna walk"* or *"XYZ won't bid until its on the market"* are common examples. Once a seller agrees to the second reserve price, which is usually the last bidders price, guess what? The home is on the market and guess what else? If no one else bids another penny it's sold to that bidder, for that figure which is below the price you thought the reserve protected you from.

Why put yourself through that sort of pressure? Avoid auctions and agents who push them, or come auction day you may find you are the one being pushed.

What's missing from the Property Market

PAUL KOUNNAS

The recent interest rate cuts have been a welcome relief for borrowers but they are not a quick fix for the flat property market.

Australian consumers are being cautious. What is clearly missing from the market is consumer confidence. A drop in interest rates always helps lift consumer confidence but market sentiment is influenced by much bigger economic issues and concerns.

Consumer confidence is currently being affected by five major factors.

- Overseas events and the global economy
- Our government's performance, their policies and lack of strong leadership
- Employment levels
- Interest rates
- Media reports.

The media play a vital and influential role in swaying consumer sentiment by the way they report market events. The daily bombardment of negative news about the state of the economy contributes enormously to the current market uncertainty and lack of confidence.

Australia's economic fundamentals however are still sound. We may have a two speed economy but compared to the rest of the world our economy is relatively stable and strong. Unemployment is at record low levels and Australian interest rates are now low and continuing to drop.

The property market will eventually turn around, but not before buyer confidence returns. It will return when the above issues are addressed or at least appear as though they are being addressed or resolved.

Lower interest rates clearly make housing more affordable which in turn contributes to increased market confidence.

The Reserve Bank would like to restore confidence in the property market and will cut interest rates further if necessary in order to achieve this.

For all the above reasons I expect property prices to remain weak for the rest of the year.

If you are investing in property for the long term none of the above issues should really matter very much because they will eventually be resolved. They can however provide you with lots of justifiable excuses if you want to sit on the sidelines and do nothing. And you all know what happens when you do nothing; nothing!

LETTER FROM EDITOR

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Until next time

Tim Altass

Grumpy Old Men

PETER LEES

They say that grumpy old men are not grumpy because they are old, but because of the things they regret not doing before they got old. I don't know if that's right, but I suspect there is a lot of truth in it.

When I was growing up I used to roll my eyes when my parents, relatives and all the oldies (much younger than I am now) would say, *"See that house that's on the market for $6,000? I could have bought that 20 years ago for $1,000."* They would say that, and then still not take action. They would watch the opportunities come and go, decade after decade. Never able to roll the clock back.

Missed opportunities and the associated regrets are so common. Ask yourself, do you regret not buying a property 10 years ago?

What if you ***could*** roll the clock back? Would you take the same course and live with the same regret in another decade?

"Son, I remember when I could have bought that home for $180,000 and now it's $380,000."

Well now, as a result of irresponsible lending by American bankers (and others) leading to a GFC, ***you can roll the clock back*** for the first time in living memory. That's right, you can buy property in 2012 for 2006 prices. ***But will you?***

One thing is certain, time will pass, prices will rise. In another decade, some people will have bought property, some the dream family home, some the whole street, and some will be saying, *"Son, I remember when I could have bought that home for $180,000 and now it's $380,000."*

That's how we get grumpy old men.

Are you looking to lease your investment property?

The Property Management team at Tim Altass Real Estate currently have quality tenants waiting for the right property.

To find out if any of these prospective tenants suit your investment property contact ☎ **3395 5002**

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- High Quality Tenants
- Experienced property management team
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Contact Tim Altass Real Estate to discuss what we can offer you in the management of your property.

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"Mel and I would like to express our sincere thanks and gratitude for the effort you and your team put into selling our house. The pressure was on from day one given we had purchased another home but your dedication went above and beyond duty and you managed to get a contract on the house in just two weeks in the price range that we were expecting.

All the staff at Tim Altass have been professional, courteous and willing to help in any way possible. We were kept well informed throughout the whole process and we felt that we could direct any enquiries to any member of the staff. It was nice knowing we had the whole office working together to sell the house instead of one single person.

We certainly wouldn't hesitate in recommending you and the services that the Tim Altass team offers."

Paul & Mel

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$110,000 secure salary and bonuses

- Our sales people enjoy the best in support, ethical training and teamwork. One team now sharing three eastern suburbs locations, all the enquiry and 2 days off per week.
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- We're looking for mature minded people with no real estate selling experience, who own their own home and have a proven history of stability.
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- If you believe you can sell and would like an income over $150,000 (this is the lowest income in our sales team) within 12 months - we'd like to hear from you.

Perhaps you too can join us for many years.

Please email your resume including a letter of introduction to: mary@timaltass.com.au

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