

PROPERTY NEWS

Ideas to help you when you're Buying or Selling

Opportunity Opens

Rebound offers sellers better returns 2nd time around



This duplex at 28A Foucart St sold for more in 2009 than it was listed for in 2008.

The best indication of how the real estate market is really travelling is the sale and the resale of the same property. This is provided no major improvements have been done to the property in between the respective sales. Given most people hold property for an average of 7 years, the sale and resale of a property in a 12 month period is rare. Thus begins one of the great challenges of residential real estate, getting an accurate read on the real estate market.

Median house prices and average house prices are the most readily used data by commentators, economists and the Reserve Bank of Australia (RBA). This data is usually taken from settlement, and not exchange of contracts, making an accurate read of the market tougher. Another challenge is that an "out of line" sale (such as a \$12 million waterfront home) can easily distort averages.

The RBA previously voiced their frustrations about "the lack of reliable house price data". Adding to the challenge is that different segments of the market behave differently (sub-markets if you like). Back in 2007, when the Western Suburbs were battling as a result of rising interest rates, top-end property was experiencing double digit growth as people locked in stock market gains by purchasing property.

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Letter from the Editor

Dear Readers

Welcome to the August edition of Property News. In this month's edition, we compare the marketing results of individual homes in 2009 against their respective results last year. Evidence suggests that prices are at least 5% above where they were in late 2008. As you will read, by following the right indicators you are assured of the right read on the market.

If you are preparing to list your home on the market in Spring, the article on page 4 impresses the importance of setting "The Right Price" for your property. An expensive advertising campaign can be a massive waste of hard earned dollars if you put the wrong price on your property.

Settlement day is one that either goes smoothly or turns into a disaster, depending on your level of preparation. This article will ensure that you make settlement day as easy as possible.

If the team at Harris Partners can help you in anyway, feel free to contact us on 02 9818 2133.

Best wishes

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Settlement Day

The big day has arrived. It is time to move into the new home!

However as you open the front door; all is not what it was when you first inspected it. There are holes in the carpet, deep scratches in the floor boards, unwanted furniture in the backyard and an extended family of rats living in the roof producing an unforgettable smell.

And worse, you have the removalist truck outside the front door, making it very difficult to be assertive against the previous owners given you might not have anywhere else to go that day.

How do you respond? What are your rights (if any) as the new owner against the previous delightful owners?

Unlike the very clear cut laws surrounding landlords and tenants, it is very much the case of "buyer beware" when it comes to the sale and settlement of residential real estate. This can leave a very sour taste in the mouth of the new home owner who has to face an immediate repair bill not foreseen earlier.

In turn, sellers too also can have a hard time of it on settlement day. This is of course the day, the seller, gets paid! Most sellers normally don't see the cash, as it goes straight towards the new home they themselves are moving into. So for sellers, the stress is also high. What if the buyer delays settlement because they don't like the condition you left it in? Does that in turn cause problems in moving into your new property?

In both situations a good conveyancer will swiftly resolve such issues. Quite often, if there are issues on the state of the property, a small amount of money maybe negotiated off the price, depending upon the degree of damage/rubbish involved.

However buyers need to be aware that any damage found on or after settlement has to be proven that it wasn't there pre-exchange and/or that the seller has outright lied to you with regard to specific questions you have asked of the property. Remember this is why a good property inspector should be used before exchange of contracts.

That said, buyers do have easily enforceable rights with regard to rubbish left behind or any unwanted furniture and loose vegetation dumped. Appliances such as ovens, air-conditioning systems, etc should also be in good operation if they were, pre-exchange of contracts. You, the buyer, can



demand the seller to rectify such instances and you are entitled to delay settlement until it is rectified or an equitable amount of compensation is agreed to.

In summing it up, in order to reduce stress and disappointment on settlement, here are my tips for both buyers and vendors:

- Buyers should ask (in writing) specific questions from the vendor's agent on the state of the property, ideally before exchange. If the agent or vendor lies on any of those questions, then they are liable. Ensure that you receive a written reply. "Not to my knowledge" responses should be regarded as suspicious.
- Buyers have a right to inspect the property on settlement day before settlement takes place.
- It is advisable not to move in on the same day the property settles as this allows breathing space to settle disputes.
- Sellers must ensure the home is free of rubbish, that non fixtures and fittings are taken away and that appliances are in the same operating condition pre-exchange of contracts.
- Sellers must ensure that any damage done to the property between exchange and settlement is repaired and rectified.
- Sellers have no obligation to repair damage that was in existence prior to exchange unless agreed to as part of the sale of property.

And finally if any major dispute arises, get your conveyancer involved. Don't try and resolve it yourself. Let the professionals do it. Remember that is what you have paid them for. It's also important as well not to get carried away over minor issues. Normally a polite reminder to clean the rubbish out will be accepted and acted upon if you are dealing with reasonable people.

Louis Christopher is Managing Director of SQM Research and Head of Property with Adviser Edge.

Opportunity Opens

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When the Global Financial Crisis hit, the stock market crashed by 40% and interest rates were slashed by the RBA. Top end property pulled back sharply and property in the Western Suburbs rose by over 10%.

Generally speaking, by the time the media are confident enough to report a new market trend, the most significant movement has already taken place. So if the market hits a price growth spurt, unless you see it happening and identify it, by the time you read about it in the newspaper, the best has most likely passed you by.

In late 2008, the market dropped 10% in a couple of months. By the time people realised what had happened, the seeds of recovery had already been sown as a result of cheap finance and Government stimulus. Sellers that came onto the market in early 2009 were braced for the worst. Fortunately, their concerns were unfounded. Excluding the top-end, the market has so far forged a remarkable rebound given the predictions that were swirling around in late 2008.

The recovery is starting to flow through to the top end too.

Prices Rebound

After the sale/resale of the same property, there is a second highly reliable indicator of the market. Even more reliable than “averages” and “median” prices. That is the marketing and re-marketing of the same property. This is one of the most overlooked indicators when assessing the market, but one of the most accurate.

Chris Williams of Harris Partners told Property News, “We have now seen multiple examples of properties selling for

higher prices in 2009 than what they were listed for in 2008”. In all of the examples Chris cited, he said none had undergone any renovations or improvements. The only difference was the point in time the property was listed on the market.

Chris mentioned the sale of 14 Waterloo St, Rozelle as a prime example of the market shift.

“In October 2008 it was listed for sale at \$635,000, and did not receive an offer after 3 months of marketing. We suggested to the owners in May of this year that we thought the prospects of a sale were good and that a higher price than the previous list price was attainable. The property was sold in less than one month after 3 buyers bid the sale price to \$661,000. These numbers would indicate a bounce in the market of about 5%.”

Another terrace in Foucart St, Rozelle just sold for \$682,500 after being on the market last year and receiving interest around \$650,000. The owner of the property Angela Anderson told Property News, “We were surprised at how quickly the market dropped last year, and therefore decided not to sell in that environment. When Harris Partners contacted me again in June, they felt confident that the market conditions had rebounded sufficiently to achieve an acceptable price. The property sold in about 6 weeks for a higher price than what we had it listed for last year.”

Indicators

Reading the market is easier than predicting the market. The sharp fall in 2008 was a surprise to most, matched by the remarkable rebound this year.



A terrace in Waterloo St, Rozelle sold for 5% more than it was listed for 12 months ago.

The key to capitalising on market movements is to watch it closely. It remains to be seen how long the current market strength will or will not remain. But if you are watching a number of key indicators closely, you will begin to get a handle on the market gyrations.

According to Chris, other key indicators to follow are, “auction clearance rates, the number of bidders at auctions, time on market, stock levels, the difference between the original list price and final selling price, and the number of *for sale* signs vs *sold* signs.”

“Combining these indicators will help you assess the market strength, in any market, at any time.”

Overall, the market has traded sideways since 2004, within a 20% variance. One year the market is pushing up, the next it is stagnating or pulling back. In that time, it seems growth has been tempered on the upside by a lack of affordability and a dramatic price crash has been avoided by a shortage of property.

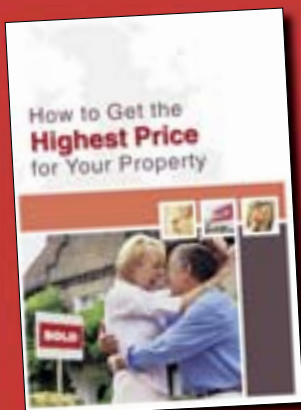
If you would like further information on how the real estate market is travelling, feel free to contact the team at Harris Partners on 02 9818 2133.

PROPERTY SELLERS

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The Right Price

Quoting the right price for your property will do far more to attract offers from buyers than any advertisement will.



Price is a major component of marketing. The real estate industry is notorious for confusing marketing campaigns with advertising campaigns. Advertising is just one component of marketing. It is a fallacy to commit thousands of dollars in advertising, thinking more buyers means more money.

The best buyers will inspect your property early, they are attracted to new listings. Overpricing damages the value of your home. The best buyers reject overpriced homes. Then when the property does not sell, buyers think there is something wrong with it.

The internet has made real estate marketing close to instant compared to the days of print. A property can be listed and have a genuine market reaction within a week. Media owned websites, databases and email have all combined to make real estate marketing a much more rapid process. Unlike print, you won't have

to wait a week to see what happens from the newspaper ads.

Because the property will be exposed to the market quickly, it is important that you have the property priced correctly early on. Overpricing can cause a lower price down the track. Many sellers intentionally inflate their asking price with the belief that "you can always come down". If you overprice your property, you will almost certainly have to reduce your price to attract a buyer.

The right price will cause buyers to make offers, rather than buyers rejecting the property because the price is too high. If you don't like the buyer's offer, you can decline it. As a seller, this puts you in a position of strength where you can decline offers, rather than having your property rejected by the best buyers.

If you run a massive advertising campaign on your property at the wrong price, you will attract more buyers at the wrong price. More buyers seeing your property at the wrong price will not help you sell. In advertising they say, "Good advertising kills a bad product, faster". Overpricing a property and running a massive advertising campaign simply damages the value of your property, faster.

"The right price is the price where buyers try and buy your property".



RECENT SALES

52 Rofe St, Leichhardt	\$576,699	5/76A Alfred St, Annandale	\$299,000
28A Foucart St, Rozelle	\$682,500	17 Wortley St, Balmain	\$865,000
10/299 Norton St, Lilyfield	\$600,000	90 Ryde Rd, Hunters Hill	\$770,000
6 Rudd St, East Ryde	\$830,000	34/146 Pitt St, Redfern	\$501,000
2/53 Gipps St, Drummoyne	\$385,000	9 Jane St, Balmain	\$1,950,000
3/87A Thompson St, Drummoyne	\$540,000	1/66 Sparkes Lane, Camperdown	\$495,000

