

PROPERTY NEWS

Ideas to help you when you're Buying or Selling

Is this the one for me?

Knowing when to move on the right property

Buying a home is one of the most important and largest financial decisions that you are likely to make. Getting it right will result in years of security and happiness from your home. As happy as the right purchase makes you, the wrong purchase can become a painful purchase – both emotionally and financially.

Given the expenses involved in buying and selling, and then buying again, it pays to get it right. To avoid the errors of others, it pays to be aware of the errors first.

Many home buyers unwittingly (but commonly) make one of two errors when selecting a property – they are too slow to move on the right property or they buy the wrong property out of frustration.

To find the right property early in the search can create complacency when buying. You can be lulled into thinking that another one will come onto the market soon.

If you have a particular or unique criteria for your new home, it can be a real process to find another suitable property – should you let the right one pass you by. Alternatively, the more generic the property, such as apartments in high rises, the more chance there is that another one will become available.



13 Claremont St, Balmain sold after 4 buyers submitted offers in a positive sign for 2012.

Continued page 3 ▶

In this issue of Property News:

- Is this the one for me?
- Safety first for children
- Auctions - The three card trick
- Renovations, distortions and averages
- Recent sales

HARRISPARTNERS

9818 2133

www.harrispartners.com.au

Safety first for children

An open window or a balcony can present an irresistible temptation to a curious child.

And, in a split second, that child can suffer terrible injuries or even death as the result of falling from the window or balcony.

Each year in Australia around 50 children fall from windows or balconies, with many suffering serious injuries as a result. Some of these falls are fatal.

With many families now choosing to rent in medium to high rise developments, it's important for tenants to understand how dangerous it can be to leave small children unsupervised near unsecured windows and balconies.

Landlords can help by supporting the NSW Government's "Think child safe" campaign, designed to raise awareness of the issue and to decrease the risk by passing on a few simple safety tips to their tenants in this regard.

These include:

- DO lock balcony doors and windows when the balcony is not in use.
- DO keep furniture and other things children can climb on away from windows.

- DO fix windows open at no more than 10cm, or fit secure window guards. Ensure that the windows can be opened only by adults.

- DON'T rely on flyscreens to keep children in. They are not usually strong enough for that.

- DON'T put furniture and pot plants near balcony edges. Children can climb or stand on them.

- DON'T put lightweight furniture on a balcony. Children can drag it to the edge and climb on it.

In relation to balcony rails or fences, it's also important to be aware that the standards under which older buildings were constructed may be different from today's standards. New balcony rails or fences must be at least one metre high with no gaps wider than 12.5 centimetres.



On high balconies, footholds must be restricted to prevent climbing.

And it's not enough to ensure that your own home is safe in these ways for your children. When you visit other people's homes, check for potential dangers such as open windows and balconies.

Above all, keep a close eye on your child at all times. For more information visit www.kidsafensw.org

Auctions and the three card trick

Public auction involves multiple bidders competing against each other to secure the one item – in this instance residential real estate. This is the simplistic theory of auctions.

In order to get home owners to sign up to an auction, agents use the equivalent of the 3 card trick. They tell home sellers that auction is a 3 phase selling process. You can sell prior to auction, at auction or after auction. It is a normal part of the course to fail at auction and call that a part of the process in determining market price.

The auction system is all about conditioning the seller down to a price where the property sells within the shortest time. Agents in behind closed-door training refer to auctions as "the fastest and best conditioning tool".

The reason agents push auctions in weak markets is because the transparent bidding process gives the owners a "reality check" if they need it. When the auction publicly stops below the reserve price, the buyers are telling the sellers the price expectation is too high, as opposed to the agent.

The agent's true motive in selling auction campaigns is because the process works the sellers down in price. If you doubt this, then ask the agent why all auctions start below the reserve price? Less than 50% of auctions achieve the reserve price, causing the seller to pass the property in or drop the reserve price during the auction.

Properties that are passed in at auction then enter phase 3 of the auction process. Any hopes of achieving a high price are



dashed as many buyers view properties that fail at auction as damaged goods.

If you sign up to an auction envisioning a crowd in your backyard ferociously competing to secure your home, be aware – your agent may have different ideas. Instead of signing up to an auction, you may have fallen for the 3 card trick.

HARRISPARTNERS

404 Darling Street BALMAIN NSW 2041

p: (02) 9818 2133 f: (02) 9810 6432

e: info@harrispartners.com.au w: www.harrispartners.com.au

Disclaimer Notice: Neither Peter O'Malley, Harris Partners Real Estate, nor Newsletter House Pty Ltd, nor the publishers and editors of articles in this issue, accept any form of liability, be it contractual, tortious or otherwise, for the contents of this newsletter or for any consequences arising from its use or any reliance placed upon it. All the information contained in this publication has been provided to us by various parties. We do not accept any responsibility to any person for its accuracy and do no more than pass it on. All interested parties should make and rely upon their own enquires in order to determine whether or not this information is in fact accurate. ©Newsletter House Pty Ltd 2011. Ph: 02 4954 2100 www.newsletterhouse.com

Knowing when to move on the right property

► *Continued from page 1*

Unique is an overused description in real estate marketing. It is worth being decisive if the right property with unique characteristics does become available though.

It can be surprising to find the right home in the first week or two of your property search. But if you intend to buy and it's the right price that fits your needs, why risk missing it? There is no guarantee that the right home will become available when you are 100% ready to buy. If you pass up the right property and then struggle to find another home over the ensuing months, indifference can quickly turn to frustration.

Frustrated and fed up

Buyers that have missed out securing the right property over time, can then become frustrated, impatient and ultimately buy the wrong property. Having invested so much time, there is a desire to complete a purchase that over rides the need to find the right home. Aspects of the property that don't work for you can be overlooked if you are in a frustrated and fed up frame of mind.

If you find yourself just wanting to buy something so you can stop looking every weekend, you may be better off to not look at all. This is preferable to buying an unsuitable home just because the owner is willing to accept your offer.



Buying the right home will fill you with abundant joy.

People that have sold first and need somewhere to live within a certain time frame are prone to a fed up purchase. You are better off temporarily leasing than buying the wrong home. If you do buy the wrong home, it will be a temporary one, albeit a more expensive option than a short term lease.

If a property has been slashed in price, it's imperative to not overlook the real reason the price has been reduced. Where a property is priced lower than the rest of the market and the price seems too good to be true, then it probably is

too good to be true. Properties that are drastically marked down in price are often compensating for a flaw. Sometimes the flaw is obvious, other times it may not be. The more research and independent advice you seek, the more likely you will find the reason for the reduced price.

If you know the flaw and still decide to buy, at least you are buying fully informed.

The key to buying right is to be fully informed, decisive and patient. Decisiveness and patience are a rare, but complimentary combination when buying real estate.



FREE Advertising

Only pay on results!

Harris Partners will introduce qualified buyers to your home for **FREE**.
You only pay on a sale.

No Upfront costs ✓

Zero costs if there is no sale ✓

Agent carries the advertising costs ✓

Genuine buyers waiting ✓

Buyers paying good prices ✓

Fees only payable on a sale ✓

For more details contact ☎ **9818 2133**

HARRISPARTNERS

02 9818 2133

www.harrispartners.com.au

Renovations, distortions and averages

When tracking the strength of the housing market, it is common for commentators, economists and consumers to use averages as a gauge. Whilst averages can offer a general overview of the property market, relying on their accuracy can have mixed results.

Averages tend to not pick up on the money invested in renovations by respective owners in their homes. As a basic example, a home sells for \$1.5 million in 2008 and resells for a similar price in 2012. Without any further knowledge, the most likely conclusion one could draw is that the market has traded sideways in that time. But what if the property had \$300,000 in improvements and renovations done to it between 08 and 12?

The real question in such circumstances is – has the value of the property increased in spite of the renovations?

Has the real value of the property risen, or have the renovations caused the price to rise?

With the additional burden of transaction costs on top, what seems like a market moving sideways is in actual fact a substantial loss for the owner.

Surprisingly, there were many examples of properties that sold in 2004 that re-sold in late 2011 for a price within 10% of what the owners had originally paid. The market gyrated in the interim period, but there is mounting evidence to suggest that the market is trading in a 10 to 15% band over the past 7 to 8 years.

Once inflation is factored in you realise that buyers are not really paying that much more now than they were 8 years ago. This data also puts paid to the property spruiker's favoured myth that property doubles every seven years.

Distortions

Averages tend to also miss distortions and anomalies. If 2 or 3 landmark residences sell well above the suburb average in a 12 month period, unless similar sales take place in the following 12 months, the averages can be easily distorted. This is common in locations such as Balmain East where the annual number of transactions is low and much more likely to be distorted – albeit unintentionally. In suburbs such as Leichhardt where there is substantial sales volume on an annual basis, the averages are less likely to be distorted.

One of the best ways to gauge market movements is note what a particular house sells for and subsequently re-sells for without having been renovated or improved. Unfortunately, it takes time for this type of data to emerge making it largely ineffective. It is not entirely uncommon for a property to sell and then resell within 12 to 18 months, providing isolated examples.

It is not that average or median house prices often quoted by the media are irrelevant, it's that they are open to inaccuracies and misreads on the upside, and the downside.

When it comes to the housing market, there are trends, statistics, untruths, lies and distortions. Only by watching and tracking the market will you learn what's what!



Reading the Real Estate market is not always as straight forward as it seems.



Recent Sales

31 Theodore St, Balmain \$Undisclosed	139 Meeks Rd, Marrickville \$615,000
4 Merton St, Rozelle..... \$755,000	204/54a Blackwall Point Rd, Chiswick .. \$700,000
37 Cambridge St, Rozelle..... \$725,000	136 Percival Rd, Stanmore..... \$790,000
56 Smith St, Balmain..... \$Undisclosed	31 North St, Leichhardt \$801,250
46 Second Ave, Campsie \$605,000	106/3 Hosking Pl, Sydney..... \$319,500
13 Claremont St, Balmain \$895,200	50 James St, Leichhardt \$690,000