

# Real Estate Sale Strategies

## Which is right for you?

What strategy you use to sell your property will depend a lot on the type of property you have, the real estate agent, the state of the market for your property and your own circumstances and preferences.

You will need to choose a strategy when you list your property with an agent, because the sales strategy selected will be written into your agreement with the agent.

You should talk to a few agents in your area before you settle on one of them. You can get invaluable insights on the different points of view of each agent. Also, they will each have an opinion on the potential price that you can achieve for your property.

Ask the agent for references and then speak to those referees about their experiences in dealing with those agencies.

Your options include sale by auction, sale by tender or sale by fixed price.

## Auction

The auction process typically involves placing the property with one agent exclusively for a fixed period of time (normally 4-6 weeks).

The property is strongly marketed during that time and usually remains silent as to price, although sometimes a price range is included.

Auction almost always involves an exclusive agency with one or possibly two agents. By giving an agent an exclusive agency for the sale of your property, you are giving to them the monopoly rights to sell your property. This usually means that if the property is sold by yourself or another agent during the exclusive agency period, then your agent can still get their commission. Particular care should be taken when drafting the contract to cover this situation.

Prior to the auction day a reserve price is set by you as seller, usually in consultation with the agent. Since late 2003 new rules now apply in NSW in relation to the holding of auctions and the registration of bidders. The auction takes place in hired rooms or on site. If the highest bidder reaches or exceeds the reserve price, the property is sold.

### Advantages

- The marketing campaign is normally very strong and is focused as there is a time limit (auction day). This creates a lot of awareness amongst potential buyers.
- Given there is a date set for the auction, the sales campaign is not protracted (unless of course the property does not sell at auction).
- If you are unsure of what the price of your property should be (for instance if it is a unique type of property), then bidding at auction gives a good indication of its market value
- You have the potential of getting a premium if there is more than one bidder who really wants the property.

- Some buyers do not like the auction process. This may tempt them to make an offer to buy the property prior to the auction day.
- If the property is sold, the contract is normally “unconditional” which means that it should definitely go ahead on settlement day (eg it is not subject to the buyer getting finance, or doing a building inspection, etc).

#### *Disadvantages*

- Many properties are passed in on auction day, although they do tend to sell in the weeks after the auction. This can “taint” the sales process.
- If the bidding has been low, it can send an incorrect message to buyers after auction that the property is only worth that much.
- Some buyers do not like the auction process and will not bid.
- Auctions are now highly regulated, one of the main changes being that bidders must register, and this may scare off some bidders.
- Auctions can be expensive, as the marketing and advertising campaign surrounding an auction is usually fairly strong. There may also be costs associated with an auctioneer, slides showing the property during the auction process, and hire of rooms. Ask your agent to set out these costs in writing before you make a decision.
- Because most agency agreements for auctions give the agent a sole agency during the run up to auction and for a period afterwards as well, you are locked in to one agent for a long time. It is a good idea to give the agent a certain period after auction in which to sell the property (if it was passed in) but you may like to limit this period to say, 30 days.

#### **Tender**

Sale by tender works in a similar way.

The property is marketed strongly, as with the auction and normally without a pre-determined price (or only a broad price range).

Interested parties do their searches and inspections, and submit written “tenders” or offers before the due date. These offers may be conditional (eg subject to a survey or building certificate) or unconditional.

On the closing date, all tenders are considered by the seller in consultation with the agent and the seller can choose the most favourable tender. The most favourable one may be based on price, or the length of the settlement period, or other factors.

If no tender is considered acceptable, then the agent can go back to the tenderers and see if they are willing to increase their offer.

#### *Advantages*

- Bidding is kept confidential, with each bidder not knowing how close to the mark they are.
- Like auction sales, the marketing campaign is very strong and is focused as there is a time limit (tender closure date). This creates a lot of awareness amongst potential buyers.

- Given there is a date set for the close of the tender, the sales campaign is not protracted (unless of course the property does not sell by tender).
- If you are unsure of what the price of your property should be (for instance if it is a unique type of property), then the tender process can give a good indication of its market value.
- You have the potential of getting a premium if there is more than one tenderer who really wants the property.

#### *Disadvantages*

- Tenderers have no idea what competing tenderers have offered.
- If bids are unsatisfactory then negotiations may be protracted with interested parties.
- marketing and agency expenses are high.

#### **Fixed Price Sale**

Sale by fixed price is still one of the most popular methods of sale for residential property.

A fixed price is set in all advertising and buyers are made aware of the asking price.

#### *Advantages*

- Buyers are immediately aware of the sale price. Fosters a more open sales process.
- Buyers who dislike auctions may be enticed to inspect the property and submit an offer.

#### *Disadvantages*

- Sellers may have difficulty establishing a sale price. If you set the price too high you may not sell for some time and if you set the price too low you may short change yourself.
- The sales period may be protracted – unlike the auction process buyers are not forced to make a binding offer.

#### **For further information, contact:**

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