How to choose a real estate salesperson

By John & Cecily Duncan – Licensed Under REAA 2008

Choosing a real estate salesperson- December 2012
Find your real estate sales partner- by John & Cecily Duncan
We know this is a crucial question.

Who are we? Our firm develops and markets the SalesPartner set of software tools designed specifically for real estate practitioners in New Zealand. John is the managing director.

Cecily and John have joined Tommy's Johnsonville which is a local Real Estate Agency that uses SalesPartner software and where all members of the team also have their own subscriptions to SalesPartner.

How can we help? Our firm develops marketing software specifically for real estate salespeople and agencies in New Zealand. Over the last twenty five years our firm has worked with hundreds of clients throughout the country from independent firms to multi-office franchise chains. Our goal has been to uncover and incorporate in our software the best practices and processes available to help salespeople provide excellent service for their clients and customers.

We believe the time has come to illustrate these processes for you, the potential real estate agency clients.

But first a crucial bit of jargon needs explaining. In New Zealand, Real Estate Agents are the firms licensed to market real estate, the accredited salespeople who work for these firms are not technically the agent contracted to handle your property sale. The salespeople do most of the work, are your primary point of contact, and have the biggest impact on the success of your sale, but it is the firm or agency that you are contracted with. Throughout this book we will be careful to use those terms in the sense that your agent is the licensed firm and your salesperson is the licensed salesperson working for that firm.

Real estate salespeople in New Zealand have two main groups of clients and customers, (who often overlap), the "property sellers" and the "property buyers". The Real Estate Agents Act 2008 defines "***client***" as *"the person on whose behalf an agent carries out real estate agency work"* and makes clear in the associated Codes of Practice that clients are the ones with the agency agreement (i.e. the vendors or property sellers) and defines a "***customer***" as *"a person who is a buyer or potential buyer of land or a business"*. The other terms used are Vendors and Purchasers which are in many of the current contracts for sale and purchase of properties.

By and large it is the group of property sellers (vendors) who pay the real estate agencies fees and through them the salespeople receive a share of the fees as their gross income. So we will focus this booklet on advice to sellers. However, we recommend you read on, no matter what stage you are currently in, as you will likely need to hire a real estate salesperson at some stage of your property owning cycle.

The other important item to be aware of is that an agency's fees are usually quoted as a percentage or scale related to the selling price and then plus GST. A fee of 3% on a four hundred thousand dollar selling price is actually $12,000 plus gst, currently with gst at 15% that would make the actual fees to be paid in this example sale at $400,000 an amount of $13,800.

DO IT YOURSELF?

Chapter1. DIY

The first decision a seller faces is; have you already found your best most trustworthy salesperson without even looking? Should you try the “do-it-yourself” path?

If you can truthfully answer yes to all the questions at the end of this chapter you are a candidate for this option but in the terms of the old adage “the person who represents themselves has to be sure they don’t have a fool for a client”.

Two main motivations appear to drive private sellers:

1. They expect to save the real estate agency’s fees.
2. They have no confidence in real estate salespeople or the services they can provide.

Saving the agency fees

First: Saving the real estate agency’s fees.
A common counter argument salespeople are taught to provide a private seller is that “Buyers also expect the private seller to save on the real estate fees so the offers you, the private seller, will receive will discount the fees.” To us there are two major fallacies in this argument.

1. The assumption that there is some set price for the property known to the vendor and the purchaser which just needs to be adjusted by splitting the 3 or 4% saving in real estate agency fees for everyone to conclude the deal.
2. The assumption that buyers are not bargain hunters trying to get the property at the lowest possible cost to them, but somehow they are motivated to see it from the vendor’s point of view and will offer close to the vendor’s desired price or at worst what they consider to be the fair market price.

The first vital question a potential private seller needs to ask themselves is whether they are trying to achieve the maximum possible net price for their property? If they are not it follows that they don’t need an experienced salesperson.

What is a fair market price?

As a private seller how do you determine your price?
If you are selling a three bedroom house and, in the past six months, sales for three bedroom houses in your area have ranged from $350,000 to $450,000 how do you determine what is a good price for your property?

One method available in New Zealand is to compare rateable values. You might first calculate the average sales price for 3 bedroom houses or houses with similar floor area in your suburb in the past six months as some percentage of rateable value. This is a reasonable starting point but you will usually find individual sales have been achieved 10 to 15% above and below that average or there is insufficient data to make a reasonable determination.

Factors that affect the variations from rateable values in sales prices include;

- shifts in the overall market since the data rateable valuations are based on was collected, and anomalies in the assessment process.
- improvements that are not reflected in rateable values,
- the state of repair and presentation of the property and the section,
- changes in the neighbourhood amenities like roads, shops and schools (especially zoning changes for popular schools),
- changes in access to transport in the area,
- changes in demographic composition,
- and whether the rateable value was recently reset by request of the vendor.

However one of the most important factors is the effectiveness of the marketing programs and techniques being used by local salespeople to sell the properties in their area and the variations in their skills.

If your research indicates a range of 10 to 15% either side of the average calculated from rateable values, you should consider the benefit to yourself of being one of the 10 to 15% above rateable values when you sell your property, and the risk of being one of the 10 to 15% below.

Details of recent sales now not so readily available.

The introduction of the Real Estate Agents Act 2008 has made some significant changes in the area of property appraisals. Salespeople are required to provide potential vendors or clients with a written appraisal of their property based on recent sales data in the area. However, the most reliable and up to date source of this sales data was the Real Estate Institute which required its members to report all their sales at least monthly and membership was compulsory. This may no longer be the case. Recent sales data will still be available from continuing members of the Institute and from other sources that are being sponsored to fill the gap but they are unlikely to be as comprehensive.

It's worth remembering that most of the recent sales you are using in your comparison, when provided by a licensed salesperson in an appraisal, were marketed by real estate agencies who were commissioned to achieve the best possible price for their vendors. You will need to be at least as good in your marketing, access to buyers and negotiating skills as the average real estate salesperson and agency team to achieve the average outcome they did.

Should I try incentive fees?

Some salespeople approach private sellers with a question like; "If I could bring you a buyer within a month who would pay $330,000 for your property with no fees, would you accept it?" If the response is no they keep working to find your base price, if yes they might ask whether you would accept a one month listing with the fees being 50% of any purchase price above your acceptable price. If the salesperson sells the property the ex-private seller achieves their base price plus 50% of any premium, and if the salesperson can't find a premium buyer then there are no fees to pay.

Read through the rest of this book for a broader view of these options. However, if you are strongly considering approaching the market as a private seller, how about getting your solicitor to write up a letter of offer for the local real estate agencies - where you nominate a selling fee of 40% of any price above your minimum that they achieve? If you find someone willing to take up this offer, we recommend you read through the rest of this booklet before proceeding. You could be losing out on even better results by not taking the time to find the best real estate sales partner for your area.

Second: You lack confidence in real estate salespeople and the services they can provide:

Lack of confidence in Real Estate salespeople

When sellers are motivated to get the maximum possible net price from their sale and buyers are trying to purchase the property for the least money they can get away with, there is a role for a real estate agency. The key question is: How can you recognise and commission an effective salesperson and agency?

During our training seminars throughout the country we have often asked the salespeople attending "What do real estate salespeople sell?" The answers we get include – properties, themselves, their agency and their services. If we ask more clearly "What is the service that you the salespeople sell to vendors?" we can still get a wide variety of answers like marketing plans, support and expertise during an emotional period, negotiating skills, or the ability to get their property sold. We agree with all these answers but believe they are not the primary service real estate salespeople are commissioned to provide.

Our answer to this question is that the primary services that real estate salespeople sell are:

"**The processes they will use to find the best buyer for the vendor's property and then secure the best net price**."

Other people have said it with different emphasis and here are a couple we like with apologies for any paraphrasing:

“My role is to find the people with the most emotional involvement in your property and make sure they compete with each other to buy it” Which is attributed to Ian Keightly and Michael Boulgaris.

“To introduce your property to as many people as possible who are currently in a position to proceed.” Attributed to Robert Bevan, a real estate trainer and industry analyst from Australia.

From The Millionaire Real Estate Agent by Gary Keller “For Sellers, their (the top real estate agent’s) goal is to net them the most amount of money, in the shortest amount of time, with the least amount of problems”.

Competition between buyers is critical to achieving a premium price.

We also believe strongly that the primary processes which motivate the ultimate buyer to pay the best price, incorporate and encourage **competition with other real or potential buyers**. Think of Auctions, Tenders, multiple offer situations, and buyers making offers before the first Open Home.

We strongly recommend that you, the vendor, should list your property with the salesperson you expect will ultimately achieve the best net price for you. (Net means after fees, marketing contribution and property presentation costs have been taken into account.) We believe the goal of achieving the best possible net sale price is foremost in the mind of vendors when bringing their property to market. Put even more bluntly, we believe **any licensed salesperson or private seller could sell all the available property in your area tomorrow if price didn’t matter**.

The emotional aspect of the listing decision cannot be ignored. Tom Hopkins (a well known real estate trainer) says; “There probably aren’t two clients in a hundred who will admit it, but one of the main reasons some people pay real estate fees is to get attention and sympathy while a matter of great importance to them is being resolved.”

Some agencies appear to us to survive on this sentiment-based approach alone but, in our experience, when an agency focuses on providing superior services to their vendors, they have rapidly increased their market share. However, ineffective and under resourced agencies and salespeople do appear to linger on in the market place. Vendors apparently sometimes settle for very low levels of expertise and service not knowing how to select and commission an effective salesperson.

Your task: Find a SalesPartner salesperson.

As a potential vendor we believe you should seek out an agency and a salesperson focused on achieving the best possible net price for your property. The easiest way to achieve this is to find a good SalesPartner salesperson. The salesperson you are looking for will be able to demonstrate **the processes** they use to help achieve the goals of their vendors and buyers.

This booklet is designed to help you find a salesperson that will achieve the best available net price for you with the least inconvenience. We believe there are many skilled and vendor focused salespeople and agencies but there are also many who have not received the training or support needed to implement effective, modern marketing techniques. Choosing an effective salesperson can provide you thousands of dollars.

We start by reviewing the risks you should assess when considering a private sale process and continue by exposing the wealth destroying risk of treating all salespeople and agencies as equal in skills and processes.

One objective we have is to encourage more potential vendors to ask informed questions and look for evidence of appropriate skills when interviewing salespeople. We hope this will encourage more firms and salespeople to implement the available systems that will deliver better outcomes for you the vendors, who are their clients. Our other objective is that you will achieve the best possible net price for your property by selecting the best salesperson to work with. If you would like to skip to the final pages we have listed some tips on how to achieve this goal.

How much will you save selling privately?
It is interesting to assess some of the direct costs of selling privately.

Photography:
Most agencies employ professional photographers or at least nominate a skilled and experienced member of the team to get photographs done, at no extra charge to their vendors. If they don't then you should not employ that agency. Sometimes there will be a charge if the photographer provides extra services like extension ladders or added web site exposure and virtual tours. (For example open2view.co.nz) Using an experienced photographer skilled in presenting properties is an important first step in property marketing.

Web sites:
Some effective websites are available to private sellers and in New Zealand these include TradeMe and Herald Property. Other portal web sites like realestate.co.nz, real estate franchise web sites and salespeople's own web sites which are provided at no extra charge through agencies, are not available to private sellers.

Making a sign:
If you don't want to have a sign, advising the neighbourhood and all passers-by that your property is for sale; then you should ask a local salesperson or agency for a "quiet" listing.

When selling privately you should not skimp on the sign, one of the most effective ways to get exposure for your property, as you are already blocking many of the pathways through which buyers would normally find your property. Signs are nearly always provided free by real estate agencies and you should ask what they would charge for a photo sign as these are more effective. There are usually restrictions on signs imposed by your local council so don't spend excessively to create something that might be eye catching, and unique but gets pulled down within a day or two.

Flyers for your property:
The firm that creates your sign should be able to print flyers for you (or you may be able to create and print some yourself) to give to interested visitors. You might also print different styles for delivery in the neighbourhood and new versions when your price or open home times and dates change. You might wish to get your flyers checked out by your lawyer as mistakes at this point in quoting land or floor areas and the description of your property and chattels, could be very expensive to rectify if a buyer relies on the information you provide in the flyer, and subsequently claims that information to be incorrect or misleading.

Advertising:
The cliché is that "you can't sell a secret". It's an odd saying because bargain hunters will be attracted by the low profile for your property when they find it, and will encourage you to avoid promotion expenses, while they assess whether to buy it. What the saying should be is that "you can't sell a secret for the best possible price".

When you advertise your property in traditional media you are likely to be faced with a higher charge rate per column centimetre than is offered to bulk advertisers like real estate agencies. Most real estate agencies in New Zealand have a minimum level of self funded advertising which is free to their clients, as they often book by the page and need to fill their pre-booked space. For higher profile campaigns where vendors contribute to the advertising costs the agency will usually pass on their bulk space rate discounts to their vendor clients in full. Practices can differ and the wide spread New Zealand practice of selling extra advertising to vendors at cost is different from the practices in Australia where advertising plans can be sold to vendors at or near retail prices.

Under the Real Estate Agents Act 2008 licensed agents in New Zealand must estimate and disclose all potential commissions or margins they expect from selling advertising or staging services before a client signs an agency agreement.

The best agencies will also undertake to **refund any uncommitted prepaid marketing contribution** if the property sells early or is withdrawn before the campaign is completed.

Advice on the sale & purchase agreement:
Unless you are an experienced seller of real estate you would be wise to pay for professional advice on the vendor warranties contained in the standard version of the sale and purchase agreement for a sale of a property by private treaty. You can expect most of the people interested in buying your private sale property will be familiar with this agreement and understand its clauses or will have taken advice before making an offer. You cannot afford to be at a disadvantage in this vital area.

Negotiating skills:
Some private sellers have gained such a low opinion of real estate salespeople that they believe their own negotiating skills superior to anything they have perceived in their dealings with real estate salespeople in the past.

This might sometimes be a valid perception but there are a couple of provisos; First the negotiating skills you yourself have in an area where you are very knowledgeable, rely in large part on the advantage that knowledge gives you. If selling real estate is unfamiliar to you, it is unrealistic to expect the buyers attracted to your private sale will be similarly naive. To conclude negotiations without stress and remorse, one side has to give and the one at the greatest disadvantage will be the inexperienced one, most likely the private seller.

The second proviso is that in any profession or service industry, medical, legal, investment advisors, real estate, things do go wrong and mishaps and misjudgements make good stories for the press and media. But that is not a reasonable basis for rejecting all practitioners. We believe you would do better to direct your own negotiating skills towards finding the best salesperson to market your property.

In addition when contracting a salesperson to sell a property a vendor is contracting the agency not just the salesperson. A well run agency working with a team approach can mitigate the impact of inexperience or misjudgements by one of their salespeople, and will move quickly to remedy any of which they become aware. Our experience over the past 25 years (irrespective of the severity of the fines or remedies available to the former Real Estate Institute tribunals or disputes tribunals under the new Real Estate Agents Act), is that the market impact on an agency that makes a serious error of judgement in this area, or condones unacceptable practice is usually sufficient to force it out of business. You will not have the same support in managing a private sale.

We are not claiming all real estate salespeople have superior negotiating skills. Some salespeople and agencies may lack the training needed, others may lack the experience. Our goal here is to help you find the ones who are skilled negotiators and are using modern processes to find the best buyers for their current clients, and then assess whether you should commission them.

In real estate negotiating, advantage comes from familiarity with the market, access to large numbers of potential purchasers, and experience with concluding previous sales.

Buyers who miss out on property reveal their objectives and capacity to their salesperson

Together with these advantages, real estate salespeople develop a wide knowledge of the options available to purchasers and the prime motivations driving them. This knowledge comes in part from buyer interviews and in part from the experience gained **while assisting their buyers with offers for the properties they miss out on**.

This second crucial process for developing an accurate assessment of the factors that motivate particular purchasers is not available to a private seller. When a buyer misses out on a property they reveal to the salesperson they worked with, both the key characteristics they are looking for and the price they are willing and able to pay.

A good agency has a team where the salesperson who knows their buyers' motivation best and finds the best buyer in a position to proceed with buying your property, is rewarded with a selling commission no matter which salesperson in the team listed the property.

It is this competition between buyers, assisted by competing salespeople, which is the major factor in achieving the best price for the property vendor. Salespeople talk of buyers accessing their "fighting funds" to secure the property they want ahead of competing buyers.

If you are unable to replicate this negotiating advantage in your private sale situation it could cost you 10% to 20% or more of your final sales price. Your private sale might save you 3 to 4 % in real estate agency fees but you put at risk 20% or more of your sale price, and if your property is 50% mortgaged that translates to 40% or more of your equity. If the mortgage is higher the percentage loss of equity is worse.

Buyers who buy privately are often skilled property buyers.

Private sellers are often dealing with experienced property buyers who have excellent knowledge of the market in the area. Do you want to **compete** with the best property negotiators in town? Many people who own or work for real estate agencies, or are licensed salespeople, buy on their own account from private sellers.

One property manager we know well found a private sale in Tawa, a suburb north of Wellington, through her tradesmen contacts and decided to buy the property for herself. In order to add it to her personal portfolio she had to consider selling one of her properties that was currently vacant so she listed that with a real estate salesperson while negotiating the private purchase. Who knows how much the private seller missed out on? A quick market assessment by the same salesperson of the private sale property was $30,000 above the price agreed with the vendor. In this case the salesperson was advising the buyer (who they had recently sold several properties to) not the seller, and was asked to indicate a level they could readily achieve if they had to quickly on sell the property, so they took a conservative approach.

Costs involved in concluding the sale:
Most private sellers would be expecting to involve a lawyer or conveyancing service to help conclude a sale. However you may not be ready for the potential extra time costs which could be incurred. It is not unknown for some building inspection firms to market their services as an opportunity to renegotiate the selling price in favour of the buyer who is their customer. In fact purchaser support people have a knack of uncovering critical and often expensive issues to be resolved. If they didn't there would be no need for their services.

If you are selling to an experienced purchaser, all the support people they bring to bear at this point, their building inspectors, their valuers, their engineers, tradesmen and their lawyers are likely to have on-going business relationships with your buyers and can be expected to act in a manner that protects and enhances that relationship. You might find yourself facing a take it or leave situation in which the only alternative to lowering your selling price is to start all over again.

This happens surprisingly often to real estate salespeople and they have on-going relationships with their own team of resource people who they can enrol in support of their vendors, and in the ultimate they will represent a property to the market at no extra cost to the vendor. Real estate agencies have processes like back up offers and vendor escape clauses to ensure your property can be continuously marketed until a deal closes.

If you need to rely on your lawyer for support through concluding negotiations they will rightly be expecting to be paid extra for their time while being your advocate and conducting a sales role on your behalf. Their fee for this service would be over and above their normal conveyancing fee.

Before a sale confirms a real estate agency will provide copies of the agreements to the appropriate parties and their legal representatives. They will assist buyers to complete their due diligence. Where needed or requested they provide access to finance options, building inspection options, tradesmen services, moving and packing options and co-ordinate access for all parties to help the completion of the sale.

The post sale involvement of the real estate agency covers items like pre purchase inspections, facilitating communication between the lawyers, chattel negotiations and protocols over handing over the keys. Getting any of these processes wrong, especially handing over the keys, or allowing the buyer possession of your property too early, can be very expensive to resolve.

Conditional sales:
Agencies have considerable experience in helping buyers through the processes involved in conditional purchases particularly organising finance and negotiating any remedial work identified by building inspections and in dealing with overseas purchasers.

Buyers upsizing or downsizing:
Another scenario that plays out often for real estate salespeople and agencies is that the best buyer for the vendor's property can only purchase if they sell their own property first. This can be relatively easy for the agency to organise if the property for sale is in their area, or can be organised through their referral network if the property is in another area. Often a number of deals get strung together into a chain of transactions and the agency's experience in managing these situations becomes of critical value to their vendors.

Many buyers ignore private sales.

Private sellers have to exclude from their potential buyers both those who need agency support and those who will not buy without it.

A new development arising from the increasing use of database systems like our SalesPartner tools means that private sellers also have to compete with the techniques salespeople and agencies use to get their listed properties presented pro-actively to their buyers.

Pro active marketing and previews by invitation are finding suitable properties for known buyers, sometimes even before the properties are advertised in traditional media.

Nowadays when a buyer is identified as ready to make a decision or is regarded as an 'A' buyer there are many techniques available for salespeople to keep these customers in touch with new properties and ensure the properties they are marketing are considered first by all the active buyers known to them.

Most of the active buyers in a market place become known to salespeople through visiting Open Homes, visiting offices, making phone calls and from email or website based enquiries.

Once they have identified that the buyers are active and capable and they develop some idea of what they are looking for, proactive salespeople will send emails, texts, make phone calls or organise prompts from web sites when suitable new properties become known to them.

Salespeople with systems like SalesPartner will also invite active buyers to previews of their new listings. A significant and increasing number of sales are arising from these processes which real estate salespeople are using to find suitable properties for many of the best buyers in your market place before they even consider portal web sites or private sale properties.

These techniques are also used to sell "Quiet Listings".

You might like to make an assessment of the possible private sale costs by completing the table below.

Fee for professional photography ______________

Fee for listing on available Web sites ______________
(Extensive web site exposure is no extra charge through an agency)

Fee for street side "For Sale" sign ______________

Fee for printing flyers ______________
(Include professional advice and possible reprints)

Advertising budget and advert composition ______________

Professional advice on Vendor's warranties ______________

Negotiating assistance _______________

Conveyancing fees _______________

Concessions required to conclude the sale _______________

Potential costs of an incomplete sale and
any misjudgements during the process _______________

Value you place on your time for marketing ________________
Include phone calls, materials preparation, organising photos, signs, booking adverts, ensuring a web presence, flyers delivery, negotiations, learning the ropes, open homes, follow up visits.....

Compare likely costs of private sale ==================
With agency fees at 3.5% of selling price +gst ______________
NB Some of the costs above may also be incurred with agency sales.

Questions for a determined private seller.
If you can faithfully answer “yes” to all the following questions you should possibly go ahead and give it a go. But we suspect if you can answer “yes” to these questions, you will have better ways to use your time than in marketing your own house.

Question 1. Do you know all you need to know about the preparation of your property and its presentation on web sites and in advertisements?

Question 2. Have you identified a private sales support company that will help with these items and determined how much they will charge? (Check out the advertising and promotion chapter for a basic trap here)

Question 3. Have you determined your target value for the sale? Was this through paying for a registered valuer’s valuation? Did you use estimates from real estate salespeople? Or did you build your understanding from other properties on the market and their asking prices? For more on this topic see the chapter on market pricing.

Question 4. Have you secured a copy of the title and LIM (Land Information Memorandum) report from your local council?

Question 5. Have you set aside the necessary times for open homes and buyers visits and do you know how to conduct these to your advantage?

Question 6. Are you willing to exclude from your potential buyers those who have a home to sell before they buy and those who want the assistance of a salesperson during the purchase process?

Question 7. Are you keen to restrict your potential buyers to those who have the confidence to negotiate directly with you? These are often experienced house buyers looking for a bargain.

Question 8. Are you ready to deal with experienced property buyers often with more knowledge of the market than you have, and tackle them one at a time?

Question 9. Can you read between the lines when bargain hunters constantly advise that you are doing the right thing while they are seeking advantage for themselves?

Question 10. Are you ready for their self serving criticisms of your home while you are trying to market it for the best net price?

Question 11. The best prices for property sales are achieved when buyers compete with each other and you should be ready to both instigate and manage this process. Are you ready to disappoint a number of people who will know you well by the time you reject their offers?

Question 12. Have you a good lawyer, experienced in property transactions, who has the time and skill to help you manage the concluding stages of the sales process once you have accepted an offer, and are you willing to pay their appropriate fees if they take on a salesperson role?

Question 13. Are you ready for the experience that many properties have to be sold several times over before a purchaser is found who will confirm the deal? This frequent experience for real estate salespeople is less likely for you if your property is a real bargain for your purchaser.

Question 14. Have you interviewed a number of local real estate salespeople and remain determined to reject the services that they offer?

Question 15. Have you read the remaining chapters in this book and still believe you should do it yourself?

If so please let us know how you get on.

Chapter 2. What do salespeople do?

Roles of Salespeople –

First they must obtain a license to sell Real Estate. The REAA 2008 carried over the qualifications from the previous licenses granted by the Real Estate Institute. From July 2010 the educational requirements have been extended. Before a salesperson is licensed character checks will be made and for new salespeople a six months direct supervision period is now mandatory before they can engage in conveyancing related tasks.

However the critical process in New Zealand is developing the skills needed to obtain listings, which are the properties salespeople are entrusted to sell. The skills needed to do this can be taught and developed with experience. But it is important to note that successful salespeople need to have as a primary skill the ability to compete with their colleagues for listings and as a secondary skill the ability to compete to achieve sales of listed properties to their buyers.

We will return to this process later but would take this opportunity to emphasise there are many calls on a salesperson's time. They must attend training – office meetings – duty requirements - build a database – learn about marketing options – study the market place - and the properties available for sale and attend corporate or company events.

When time permits they can canvass for new properties to sell. Some of the techniques they use include:

- Mail drops and telemarketing.
- Door knocking and approaching potential property sellers.
- Calling on family and friends and offering Spotter's fees.
- Offers of free appraisals and continuing contact with property owners they have met.
- Local and regional personal advertising.
- Develop a personal web presence and web site.

Once they achieve an appointment with a potential vendor they:

- Compete for the listing through listing presentations.
- Price the property – do appraisals and follow up past presentations
- Provide advice on preparing the property for marketing

  Practical assistance to viewing – gardening, taps, cupboards reducing clutter, and staging.

  Discuss known maintenance issues.
- Advise on marketing options and pricing strategies.
- Prepare marketing plans.
- Draft adverts and brochures – standard or high profile.
- Provide marketing and promotional assistance – reactive marketing
- Access and load listings to web sites.
- Pro-actively search for potential buyers, post, text, email and database previews.
- Visit all the new properties available for sale by the agency.
- Hold Open Homes for properties they have to sell

  This includes arranging the times with vendors
- Advertising open home times through websites and newspapers
- Distributing local flyers and adjusting signs
- Preparing flyers and market comparisons for visitors
- Setting up directional signs for open homes on the day
- Hosting the open homes
- Recording visitors and following them up
- Reports both written and verbal to vendors
- Organise follow up visits for interested buyers and their advisors.
- Introduce the property to the widest possible markets
- Put buyers in competition with each other
- **Help buyers get in to a position and state of mind to proceed** (to make an offer).
- Discuss the buyer's objectives with them and determine motivating factors and timetables together with the primary features they are looking for. Conduct buyer interviews.

- Organise introductions for buyers to finance brokers and advice on bidding or making offers and how tenders and auctions work.
- Assess the value of the buyers own property they may have to sell.
- Provide market information like CMAs for buyers.
- Obtain credible assessments of the rental income from the target property for potential investors.
- Provide access to reliable, timely and low cost builder report options.
- Handle objections raised in builder reports and organise or negotiate remedies.
- Organise contracts to reflect the buyer's situation as well as to the satisfaction of the vendor.
- Lead the negotiation process.
- Provide documentation of the marketing processes and the activities undertaken to follow up enquiry for the vendor.
- Organise access to properties and negotiate visit times with vendors and occupants.
- For each buyer interested in a Tender, Auction or multi offer situation; arrange follow up visits and visits by advisers, other family members, building inspectors, valuers and sometimes lawyers and finance providers.
- Represent the vendor in discussions with colleagues and sometimes salespeople from other branches and other firms who have potential clients.
- Continuous reports to vendors on the marketing market feedback.
- Calling time with buyers when an offer is to be presented.
- Presenting offers
- Negotiating with the most likely purchasers
- Ensuring all the Real Estate Agents Act documentation is in place.
- Helping the sale reach a conclusion
- If not unconditional start with the next most likely buyer or organise back up offers.

- When the sale is agreed organise paperwork for lawyers and conveyancing
- Assist in ensuring any conditions are addressed
- Process completed contracts and deposits
- Pre settlement inspections
- Check chattel lists
- Update documentation to the solicitors or conveyancers for the parties.
- Provide access (keys) to purchasers when settlement is confirmed by the vendor’s solicitor.
- Follow up to ensure settling in goes smoothly for the new owners. This is the crucial period for confirming they are a continuing resource and obtaining referrals.

Successful salespeople must learn the time management skills to cope with a number of properties is various stages of these processes and continue with pro active marketing of their services and their agency.

A brief note on building Inspections:
The choice of building inspection firm is for the purchasers to make but some are more useful than others and not just in the matter of competence, experience and expertise.

An interesting case study arose locally when a building inspection firm which advised customers they would save them money in the negotiation process, insisted that the reports they provided remain confidential to the buyers and not be revealed to the vendors or the salespeople involved. An interesting and possibly unintended outcome was no remediation options could be explored. The buyers were faced with a “proceed or don’t proceed”, situation. After a sale falls over on a condition like a satisfactory builders report the salespeople will re launch the property on the market and hopefully find another buyer.

We have known properties go under contract several times with different buyers and each time the buyers employed the same building inspection firm and each time they re inspected the property at considerable cost and every time it fell over for some unspecified fault. In some cases buyers indicated they had employed the same building inspection company several times without buying anything.

To avoid this saga impacting your property sale, before accepting an offer containing a building inspection clause for the benefit of the buyer, you might ask that a clause be added requiring a copy of the report be made available to you and your solicitor. Otherwise you could ask that your salesperson confirm the report will be made available to you when completed, before giving the inspection firm access to your property. NB The latest widely used Sale & Purchase agreement now includes a similar provision to this as standard, but buyers can opt out and when they do legal advice is recommended. Another strategy is to commission your own building report so that there is the possibility that issues requiring remedial work or further investigation can be addressed before the sale process commences. When a vendor is aware of a builders report on their property they are expected to disclose this to their salesperson and the salesperson has an obligation to disclose to potential buyers. Remember the warranties clauses we mentioned earlier.

Coping with the workload.

Salespeople may employ personal assistants. These can range from a part time family member to full time licensed staff. Personal assistants often focus on the databasing and promotional aspects of the job but their duties can encompass most aspects of the business depending on their aptitude and qualifications. From our investigations it appears to be accepted that databasing, preparing and delivering flyers, sending emails and letters, preparing listing presentations and CMAs, and attending open homes as an assistant or under a salesperson’s supervision can be considered administration and the persons doing this work do not need to be licensed under the REAA 2008. However unlicensed admin staff cannot provide direct support to the decision making of vendors and buyers or assist in negotiations in any way. Sometimes you may feel mistreated or put out when asking for what you might consider basic information, to be told you must speak with a licensed salesperson, but it is an offence under the REAA 2008 for unlicensed admin staff to involve themselves in your purchase or sale of a property or business. Members of a salesperson's team may themselves be qualified salespeople and specialise in helping buyers. Team members are usually paid from the principal salesperson's share of the commissions received.

Two salespeople working with the same agency may also work as a team and split their commissions. Teams of salespeople may also employ one or more personal assistants.

Salespeople are encouraged to invest in training courses, education, self-promotion and market presence. These and other direct costs like phones and transport will usually absorb 20% or more of commissions received. Good salespeople tend to make a point of investing in their own skills and business. Many others don't have the resources to provide for this development expenditure. Those who readily agree to reduce commissions and to pay personally for expanded profile marketing for your property may just be desperate, rather than effective.

The agency manager is important. In most agencies the role of the sales manager (owner) is crucial to helping their team cope with the work load. They may assist with all aspects of the selling process from client interviews to open homes. The agency manager will usually have an expanded role when competing salespeople within the team have buyers interested in the same property. As the vendor you want to encourage competing offers and to assure yourself that the process will be handled well. Don't hesitate to contact the manager if you have any concerns or just for a chat covering this area before you sign the agency authority for your property. A good manager is nearly as important to your successful sale as a good salesperson.

Chapter 3: Databasing and Proactive marketing:

The best modern databasing systems record contacts, properties and activity providing real estate salespeople with total recall when they need it. A system like SalesPartner allows your salesperson to find all the people who visited your property and follow them up when offers are to be presented, or invite them individually to your Auction, or offer assistance when closing your tender. The perfect salesperson would have perfect memory but too many work without modern databasing systems and are caught out when they can't find the appropriate notes in their diary or locate the emails or pieces of paper that have the vital information that would help make a sale successful for you.

> A primary key to success with your mission to sell your property for the best possible net price is to find a salesperson skilled in pro-active marketing.

Pro Active marketing is the area of computer assisted service that has developed most energetically in recent years. There was a time when all sorts of hopes were placed in computers but the early systems gave little advantage over the experienced salespeople with excellent memories. These days the systems supplied have improved dramatically and now purpose built systems like SalesPartner are effectively knowledge systems with the best practices the developers have come across with top salespeople, built-in for all subscribing salespeople and agencies to use.

It has become clear there is a distinct advantage in being able to track the motivation of buyers and prospect sellers more effectively and to implement systems that allow for increased pro-active marketing.

One significant advantage is that a system that records all visitors to your property can be used to provide an initial marketing period without disclosing a price and maintain the sales momentum if it becomes necessary to introduce priced marketing.

We realise that many buyers try to avoid properties that do not have a price advertised and we use Comparative Market Guides for buyers and price level indicators to overcome that reluctance.

When the initial “No price marketing” phase generates a premium price and properties sell before the “price only” buyers get to see them, it is the buyers, not the vendors who have missed out.

When the initial marketing does not produce an offer that allows the vendor to readily sell their property the second phase of marketing starts, and in this phase the property will often be marketed with a price so as to attract all potential buyers.

At this point the salesperson with an active database, where all the reaction from previous visitors and their contact details are recorded, can easily ensure that the new price for the property becomes known to all known buyers in the market including the previous visitors.

Salespeople who lack this capability might claim that it is best to “**price a property right** from the first day to avoid losing any initial interest”. There is more than a grain of truth to this approach especially if they do not have the tools to record and keep in contact with all visitors to your property and are largely relying on advertising to do their work for them. However your property has no recommended retail price so why limit your expectations without discovering if a premium price is available?

Salespeople running tenders and multiple offers have a clear source of information on what type of properties their buyers are willing to make offers on and what they are willing to pay. Salespeople who keep good records of the visits, inspections, phone calls, and the offers prospective buyers make on other properties, have a valuable resource available for their vendors.

The buyer interview is also most effective when discussing a real property opportunity. For vendors, the processes for organising previews and tracking prospects and potential buyers' motivation have improved to the stage where often sales can be engineered at a premium price in the earliest stage of marketing a property, or even as a quiet listing which is not publicly advertised. The property does however need to be listed for a licensed salesperson and their colleagues to introduce buyers.

Pro-active marketing is designed to promote competition among buyers by letting as many people as possible who are interested in the area, and are in a position to act, know about the new listings and price changes. Most of the potential buyers who fit this description will have visited open homes, the real estate agency offices, or made themselves known to salespeople in the firm through emails and phone calls about advertised properties. It is worth noting that very few buyers end up buying the first house they enquire about or the first property they visit.

One of the new pro-active marketing systems we have developed in SalesPartner uses email or texts with web links to cater for potential customers in large numbers. This process rapidly builds credibility between the salespeople and their potential buyers and sellers and keeps their clients informed about the market and the opportunities available.

The process is that after the office salespeople's group inspection (caravan) of new listings, salespeople upload details of properties to a web page or web site and send out the link to their database contacts. Contacts get a simple short email with information on the market including reminders of tenders closing, price changes or any other useful information together with the web link to the salesperson's selection from properties for sale with the latest listings at the top of the list. These emails are quick for contacts to download, do not need to include attachments and can be sent, in blocks of fifty or so, or individually, to hundreds of contacts very quickly every week. Texts to buyers with smart phones can also be sent from SalesPartner with links to specially formatted property lists as soon as the new property is on the market.

This provides an easy path back to the salesperson for customers whose motivation has changed, who are interested in one of the properties being marketed or who want to stay in touch with your market place. They can simply click reply and respond in their own time.

These new SalesPartner processes are so effective, with very positive customer feedback, that similar tools to the web link process have now been implemented by major franchise groups in New Zealand and are also available to salespeople through some competing systems. However not all agencies make these tools available and within agencies not all salespeople use them. Those who do use pro-active marketing processes give their vendors a significant advantage in the market place. Pro-active marketing processes have contributed to shorter times on the market and to more visitors at open homes. This uncovers more interested buyers leading to greater competition and better sale prices.

Real estate databases should also include activity tracking to allow salespeople to keep in touch with all visitors to your property throughout the marketing process. And to provide detailed activity reports for you.

Salespeople should be able to invite customers who missed out on a particular property to the next similar one that comes on the market. They should be able to get in touch with all visitors when an offer is going to be presented to clarify whether any other customers have continuing interest or are also preparing to make an offer. It is important to note that only a limited number of salespeople use these techniques.

The first step to achieving a premium price for your property is to locate a salesperson with proactive marketing skills and the tools to implement these processes for the properties they introduce to the market. We want to emphasise that the salesperson you interview to represent you in the marketing of your property may not use (or even understand) these techniques. It can be worth many thousands of dollars to find one who does.

How do you discover a salesperson skilled in pro-active marketing?

How to find a skilled pro-active marketer

If the salesperson asking to list your property claims to be successful database marketer; ask them to document this for you. You should ask for them to send you their latest market update (or email/Txt with a weblink) and ask them how many contacts it was sent to.

They should be able to provide details, with activity records, of the processes they used to sell other properties recently. These activity records should provide evidence of pro-active marketing including records of invitations to the property sent to contacts in their database. There should be records of comments from open home visitors (without names) and how they were followed up.

You should look for evidence of visitors being contacted before the Tender or Auction date and records of visits by interested buyers and their advisors.

You should ask for a detailed marketing plan and look for pro-active marketing elements.

You can request copies of the activity reports they have prepared for other vendors.

You should be able to see examples of preview invitations they have sent for other properties.

They should be able to document that they are in continuing contact with a number of buyers looking for properties to buy and that they have records of these potential buyers' requirements and activities.

They may be able to illustrate their use of smartphones and tablets to assist both their purchasers and their vendors with timely and comprehensive resources and information.

Chapter 4. How much should you pay an agent? What do they do with your money?

We present a discussion of real estate agency fees.
We have agency clients running our SalesPartner software who charge low fees, fixed fees, variable fees and scaled fees, negotiable fees and inflexible fees.

There are a couple of key factors to beer in mind. Agencies that do not provide much pro active marketing and rely on advertising, signs and websites to generate enquiry don't need **to provide much incentive to selling salespeople**. They can exist on very low fees of around 1 or 2% especially if they charge out all the marketing costs whether or not the property sells.

It's also worth noting that a discount real estate agency is **unlikely to attract the best salespeople**. Finding the best salespeople and their agencies are the key to enabling you to achieve a premium price.

Why are most agencies charging fees of around 3 to 4% of the sale price? These days the difference in service provided by a full fee agency is the investment of time and energy required to be good at pro-active marketing rather than just reactive marketing and in being able to implement marketing **plans designed to ensure competition between buyers for your property**. However not all agencies or salespeople who will charge 4% commission are good at (or even using) pro-active marketing and databases.

The 3 to 4% fee level is designed to provide sufficient incentives for salespeople within the agency to work with competing buyers and present multiple offers when only one will achieve a selling commission.

Some agencies cap fees at a dollar amount and others have a reducing scale depending on the sale price achieved. There has been some discussion in the media of setting a premium rate above a given sale level, offering the salesperson a higher commission (say 10 or 20%) of any amounts over the agreed level. I (John) tried this myself for a property I was selling eight years ago (with little effect) but it has also been suggested by one of the top trainers in the industry as a possible strategy. In practice it seems to fall down on two main issues. One is setting the base price. Given the wide diversion of opinion about the possible selling price of any particular property this base price or "vendor reserve" is hard to determine before marketing has started.

The second issue is that a base price is hard to assess without exploring the market and the eventual selling price is established by the buyers not by the salespeople. There is very little a salesperson can do to influence that price if they are confronted with a single determined buyer who refuses to meet their vendors' expectations. The best results come from running a good marketing process that, by involving other salespeople in the agency, **uncovers all the interested buyers and has them compete with each other to buy the property**. Finally the possibility of a small dollar premium for the salesperson compared to the size of the base commission seems to have little impact on the running of the process. The greater incentive is to get the property sold with a satisfied buyer and happy vendor and then move on to the next opportunity.

If your salesperson does not have the primary objective of achieving **happy vendors through good competitive marketing**, there is a much greater dollar incentive in play for the salesperson who listed the property to try to ensure they get the selling commission as well. This approach is surprisingly widespread and it is a significant trap for vendors to be wary of.

"Pro-active marketing" as we understand it, includes maintaining good databases and keeping up to date records of the activity of buyers and their changing requirements. With proactive marketing, salespeople within the agency have processes to promote new listings through their databases to the buyers they are working with. The salesperson asking for your listing should be able to illustrate and document these processes for you before you commission them to sell your house.

"Reactive marketing" encompasses the skills required to ensure the best presentation of your property and its promotion in various media where buyers can discover it.

A good mix of both approaches will be the key to ensuring buyers have an opportunity to develop and express interest in your property and compete with each other to buy it.

In one of our seminars in Tauranga, John asserted that one of the problems for salespeople working for very low fee firms is that they do not find it easy to provide a full service or organise competing buyers for a property, and as a result are often forced to recommend inferior offers to achieve a sale. Unbeknown to him, one of the attendees had previously owned a low fee agency and this salesperson told the group that this problem was exactly why he had sold out of that franchise.

Should you try and get discounted fees?
When you are interviewing a salesperson to list your property you could try to negotiate down their commission but whatever discount you secure is made visible to all the salespeople in the team associated with the agency. If the sales team know they will get $1000 less from the selling commission for bringing their buyers to your property rather than a competing property is that going to help you get the best net price?

There is a trap here. Some salespeople will happily accept a reduced commission (not put up much resistance to your request that they lower their agency's fees) in the hopes that their colleagues will ignore your property so they may claim both the listing and selling commissions as soon as they find any buyer interested. Their lack of focus on buyer competition is unlikely to help you achieve the best net price.

In such a case you would be commissioning the salesperson to work for the buyer against you. The salesperson will achieve less support from their colleagues for a pro-active marketing campaign than would a full fee listing and therefore may end up representing all the interest in your property. They are then motivated to ensure the property is sold to their buyer as soon as possible, rather than sold for the best possible price.

We are not saying you should automatically pay the highest fees you are presented with. The objective is to find the agency and salesperson that will provide a full marketing plan equally focused on known buyers through proactive marketing, and on promoting your property in a wide range of media in a manner designed to highlight its best features and set it apart from your competition. The salesperson should be readily able to demonstrate to you that they have a process they follow designed to find the best net buyer for you. Crucially they should be able to illustrate how they have done this for past clients.

Competition between agencies includes competition on fees and you are looking for the best net price, but the salesperson you choose should be able to demonstrate for you that the fees they are asking you to pay put you on an even playing field with other vendors of similar properties being handled by their office.

A typical breakdown of the fee you pay the agency

It is important to note that not all properties sell and the direct expenses incurred on behalf of those that don't sell plus agency overhead, any free marketing agreed to, signs, listing incentives, and any other direct expenses not paid for by the unsuccessful vendors, need to be re-couped from the commission on properties that do sell.

An agency that is not performing well but is incurring expenses with free marketing campaigns and listing incentives may be so keen to sell your property they end up unconsciously working for the buyer not the vendor. This is because their focus would be on securing a sale rather than the best possible price.

Up to 10% of the fee goes to run the franchise the agency belongs to. In addition some administration recovery for the office is usually collected from all the successful sales and the balance is split between the listing salesperson, the selling salesperson and the agency. There may also be referral fees to pay other agencies who have recommended the buyer or the vendor to their colleagues in your area.

As a generalisation we would estimate 27.5% to 32.5% of the fee paid by the vendor goes to the salesperson who represents the vendor and 25% goes to the salesperson who helps the buyer. In New Zealand these two commissions may often go to the same person. The remainder goes to the agency for the costs of their standard advertising on all the properties they have listed, website subscriptions and basic property signage, agency marketing recovery, administrative costs, premises, management remuneration, training costs, support staff, IT services, franchise fees and profitability.

When two (or more) salespeople are acting as business partners they usually split the salespeoples' commissions evenly between them. There are many exceptions and alternatives to this simplistic analysis. One of the most significant is that top salespeople can negotiate an increased share of the total commission as the number of contracts they conclude through the agency increases.

An extreme version of this approach is where the salespeople pay a monthly fee to the agency to cover administration and viability costs. All the promotion costs for their listings and direct costs like photocopying, printing and advertising incurred for their listings are charged to the salesperson's account but they keep up to ninety percent of the fees from the properties that sell. Although this structure can be offered by any firm it is more common in RE/MAX ® agencies. Such agencies may also have salespeople working on more traditional commission structures. In practice a similar arrangement exists for firm owners who are also acting as salespeople.

In our experience all these alternatives are of little relevance to a vendor and have very little impact on the results they may achieve.

There is an exception whenever properties are listed with below normal fees for the particular agency. If a salesperson accepts a listing with say 1% less fees than normal for their office they have reduced the share their colleagues could get as potential selling commission. Their colleagues might achieve 40% more commission for helping their buyers purchase another similar property than they would achieve by helping them buy the discounted fee listing. They will tend to introduce their buyers to the normal or higher fee property first.

If a sale of the property with discounted fees can be achieved readily (i.e. it has reached bargain price level) or if it is the only one that appeals to their buyer then they will be more likely to assist with making an offer. If the buyer is dealing with the salesperson who listed the discounted fee property and who is therefore in line for both commissions then that salesperson will be keen to get an offer accepted. However this is unlikely to achieve the best net result for the vendor.

If you come across a salesperson willing to discount their firm's normal fees you should heavily discount them as your salesperson. We believe you have just been given a strong reason not to commission them. Firstly they have demonstrated a woeful ignorance of the processes that achieve the best results for vendors. Secondly they may be trying to block the involvement of their colleagues and shut them out of "their patch".

They will have a strong incentive to end up working more in the buyers' interest than in yours so they can achieve a quick sale and move on. They will likely know the level of all offers so they can encourage you to accept offers from the buyers they want. Perhaps they would give even unconscious priority to buyers with another property to sell.

So you can see there are temptations for an individual salesperson to agree to lower fees and then report to their agency that it was forced on them by a determined vendor or competitive pressure. You should resist feeling you have achieved something by your fee bargaining and take advantage of the 24 hour cooling off period now mandatory under the Real Estate Agents Act 2008 to contact the salesperson's agency and ask the manager whether the lower fees agreed to are standard for the agency and whether they will compromise your selling process. You should also ask the manager; how many listings that salesperson has marketed in the past six months, whether the salesperson normally discounts their fees and if so how many of that salesperson's listings have been sold by other salespeople in their office. If you are not satisfied by the responses you should cancel the contract.

If your chosen salesperson cannot defend their own agencies' pricing to you, why would you employ them to achieve the best price for your most valuable asset?

Let's have a quick look at an example of how fees work. For our example we will assume you are selling a property which you hope to achieve around $400,000 as a sale price. One salesperson offers to sell the property for 10,000 commission +gst. Another says their fees are 3.5% plus $500 +gst.

You say to the second salesperson that you are impressed with their approach, their marketing plan and their pro active marketing processes but the difference in commission is just too much and you would list with the second salesperson only if they match the first offer of $10,000 plus gst. If the second salesperson is obviously better at their job they should politely refuse and leave you with the choice of an inferior low fee option or meeting the better salesperson's terms.

If the second salesperson from the full fee agency accepts your ultimatum we should **look at what happens for their colleagues**.

Heavily Discounted:				Full fee:
Your Fee ex gst		10,000	Your fee ex gst	14,500
Franchise share	10%	1,000		1,450
Admin fee				
Covers standard adverts		500		500
Balance remaining		8,500		12,550
Listing salesperson	30%	2,550		3,765
Selling salesperson	25%	2,125		3,138
Office share	45%	3,825		5,647

In this extreme, but not unrealistic, example salespeople working with a buyer able to afford over 400,000 for their next property have a huge incentive to introduce their buyers to, and try to sell full fee properties first. The commission they would receive is more than 47% higher for a full fee property. Lack of competition between salespeople and missing out on their motivated buyers can cost a property seller many times the possible saving in fees. If the lack of competition between buyers costs you the vendor just 5% of the selling price you would lose $19,195. (20,000 -805) ie 5% of 400,000 – 700+gst in fees.

Note that if the listing salesperson achieves both commissions in the discounted example, because their colleagues aren’t keen to introduce their competing buyers, they gain more reward for less effective service.

There is not only the point that salespeople that are cutting their agency’s standard fees may be trying to keep out their colleagues and claim both listing and selling commissions. Agencies and salespeople that are expecting to charge full fees are likely to be able to do so because they have a sufficient number of properties to sell at full fees. Agencies cutting fees may not have many properties to market or many recent sales. You can check out the agencies by asking for a list of the previous three months sales and of the current properties being marketed.

Remember not all salespeople are equally effective for their vendors.

Chapter 5. Appraisals and selling prices.

The Real Estate Agents Act 2008 requires licensed salespeople to provide a written appraisal of the value of any property for which they are seeking a listing (i.e. selling) authority.

An appraisal is an estimate of the current market selling price for the property based on disclosed evidence presented in a written or printed (non verbal) form.

It is important to emphasise that an appraisal price, even one based on a CMA or Comparative Market Analysis, is not a guaranteed selling price or even a valuation. Registered valuers have extended training and experience in valuing property whereas licensed salespeople are simply required to provide a view of the current market place as they see it.

For any property there are many prices:

"Vendor reserve price" This is the price that is the minimum which you the vendor will accept. Faced with offers below that "vendor reserve price", you would prefer to withdraw the property from the market.

"Investment price" The maximum price at which the property would be attractive to an experienced investor. This is not always dependant on the rental yield but may be a combination of yield and potential capital growth depending on location, condition and property type.

"The Valuer's valuation" This could easily be 7.5% either side of the sale price but would not be readily criticised if it was within 15% either side of the final selling price. As there are no absolutes to the art of pricing a property, a valuer's assessment can also reflect the bias of the person commissioning the valuation. Hence the use of arbitration in disputes where valuers advising opposing sides of a "sale at valuation" don't agree with each other.

“The Home price” The price an emotionally involved purchaser is willing to pay to secure the property as a place to live, have holidays or bring up a family.

“The Tender price” the price offered by a purchaser who is aware they may miss out on the property if it is less than other tenders. This is a well-considered offer reflecting the advice they have received from their advisors and may sometimes be less than the maximum they would be prepared to pay. This is demonstrated by situations where two or more Tenders are close in price and conditions and the salespeople are asked to go back to their buyers explaining that they are in a closely competitive situation and a higher bid could secure the property. This process frequently uncovers higher bids, and we know that buyers who have provided a tender can often be very aggrieved if they narrowly miss out without being given the opportunity to improve their bid.

This demonstrates that there is a **“competitive price”**, which includes a premium to ensure the buyers do not have to accept the pain of loss which would be felt if they missed out on their opportunity to purchase the property. This is the price established from a successful competitive auction or multi offer situation. This price can be a premium price because the fact that there is open and clear competition for the property can establish a new **“market level”**. This new market level can be very different from the current rateable valuation or a recent valuation and in itself may become the basis from which the next rateable valuation is established.

Our definition of “market level” in this context is that it has been established, by the Auction or multi offer process, that there are two or more buyers in the current market place willing and able to buy the property at or near its current selling price.

“Sale Price” Then there is the price for which the property actually sells.

There are some key concepts here; Firstly, none of these prices are static. They are affected continuously by the state of the market together with expectations about the future of the market and by the motivation of the parties involved, all of which can change markedly during the selling process.

Secondly, a vendor who wants to release funds to pursue another opportunity, or is faced with high holding costs, will have a lower ‘reserve’ than one who is just testing the market. A buyer who has just missed out on another property and wants to finalise their family accommodation within a set time-frame will almost always be more motivated than an investor.

A key role of the licensed real estate salesperson is to encourage convergence between these different prices, to recognise when the best price has been achieved within the current market and to present that to you the vendor in a manner which encourages acceptance.

Comparative Market Analysis Reports (CMAs) have been vital to real estate firms for decades. Twenty years ago a primary feature on which computer systems were judged was the ability to provide information from which to quickly prepare comparative market analysis reports. These early computer systems were tasked with speeding up and improving the manual approach which started with the Real Estate Institute sales books. These provided a three months window on sales in the market place sorted by suburb. The new systems allowed additional selections by bedrooms and by street. In addition CMAs were enhanced by adding details from both current and withdrawn listings in the area.

Some of the current CMA preparation processes access sales recorded by real estate firms through the Real Estate Institute and others use sales recorded by Valuation New Zealand from returns by solicitors. The solicitors are obliged to return all sales but these can be up to 90 days after settlement and while usually including floor area, do not include useful details like the number of bedrooms. In a particular suburb, a 180 square metre property with 3 bedrooms is likely to sell for more than a 90 square metre property with 3 bedrooms but this does not always happen. What else needs to be assessed? Here is a quick list:

The size of the section, access to the property for people and cars, views, exposure to morning and evening sunlight, age of the buildings, form of construction, state of repair, gardens and surrounds, indoor – outdoor flow, decour, space for furniture (eg piano, tv), condition of fittings, state of the kitchen, bathrooms, showers or baths, toilets, size of the bedrooms, ensuites, wardrobes, storage, other chattels and their condition, the neighbourhood, zoning for local schools, the traffic, local amenities like shops and clubs (golf, bowls, beaches etc) within walking distance, transport routes, safety for children and or pets, fencing, play areas, games room, gym area, study, home office, homework area, media areas, suitability for older occupiers, sub-dividable section, low maintenance, easy care section, children's accommodation, visitor accommodation, heating arrangements, weather tightness, garaging and sheds, balconies and decks, state of the wiring and plumbing, proximity to neighbouring properties, type of title, covenants and restrictions, local zoning rules, development options, street appeal, parking options for visitors, engineering and land stability issues, noise levels, likely rental assessment, drainage issues, rates and body corporate fees.

So how are appraisals and valuations put together?

Historically in New Zealand, valuers had full access to the sales figures compiled by Valuation New Zealand and real estate firms had access to the Institute returns and their own sales. As the solicitors' returns have a delay factor (much longer for subdivisions) there has been some continuing information flow from real estate firms to valuers. Real estate firms and salespeople sometimes present themselves as the most up to date and best able to assess price for property. We would strongly caution against relying on that confidence.

A significant recent change has been that the public now has easy access to comparative sales through various internet based subscription services. You as a potential vendor can look up sales in the area, visit open homes and talk to neighbours and other salespeople about sales in the area. One helpful web site is the Zoodle site accessible through realestate.co.nz or zoodle.co.nz

Much of the publicly available sales information is based on the Quotable Value information sourced from solicitors up to 90 days after settlement. We prefer the sale details from the Real Estate Institute members which are supplied soon after the sale is confirmed, often even before it is settled, not only because the QV sales can be many months behind the market but also because they will include private sales and inter family ownership transfers where the sale value recorded has not been tested in the market place.

It is worth pointing out that all the comparable sales in a CMA or comparative market analysis, if sourced solely from the institute sales data, have been promoted and marketed by real estate salespeople and their firms. To achieve a similar price for your own property you logically need at least the average level of marketing and promotional support. To achieve a premium or the best possible net price you need something above average in presentation, promotion and marketing processes.

We will discuss some of our reservations about salespeoples' price assessments in the later chapter on selecting your marketing plan.

Chapter 6. Open or Exclusive agency.

An "open agency" (sometimes referred to as a "general agency"), is where two or more firms have a non exclusive license to sell your property. Most people who want to go with open or general agencies think they will get more exposure by having more than one agency involved and that each will bring their own buyers through the property after which the vendor hopes to get to choose the best offer.

This is not how it usually works in practice.

The first problem is that there is not a single listing salesperson responsible for the marketing plan and co-ordinating competition between buyers and the salespeople who have interested buyers.

There is usually no deadline involved in an open listing (as is provided by a Tender or Auction process), so if a salesperson does find a buyer interested in your open listed property they can bring the offer around to you without having to check with their own colleagues for other interest, and will certainly not be required to check with competing agencies. In effect you are commissioning the salesperson to achieve a deal for their buyer. They will need to conclude any sale as quickly and as easily as possible so their buyer is not tempted to work through a competing agency. This is unlikely to achieve the best price for you.

Most agencies pay a lower commission to the salesperson who lists the property for Open Listings in recognition of the fact that there is less promotion and marketing activity for the listing salesperson to co-ordinate. There is also a lower likelihood that any one open listing will be sold by their firm so their overheads need to be spread across more listings. Therefore there is a financial incentive for your salesperson to make sure their keen buyers are first introduced to Exclusive listings that might suit. If they sell their keen buyer a similar property from an exclusive listing and they obtain the listing and selling commission they will achieve much more commission than selling your open listing.

The nature of the rules for paying sales commissions ensure that most buyers who have been on the market for some time and are therefore hard to satisfy but who might suit a new open listed property, will be introduced to it early in its listing cycle. This may look like useful activity to the vendor. However if one of these otherwise hard to please buyers does express interest your salesperson will be keen to get you to meet their price. After the initial apparent interest an open listing that doesn't sell quickly is likely to be ignored and become stale.

New buyers who come to the attention of salespeople will naturally be introduced to controlled or exclusive listings first because if they like an exclusive property, they are not able to buy it through another agency.

You might be seeking an Open Listing because you have two or more salespeople from different agencies saying they have suitable buyers for your property before you list, and you are reluctant to choose between them. Our advice is to find a way to make that choice. Buyers are not owned by anyone and a good marketing campaign is likely to bring your property to the attention of most if not all of the interested buyers. Your chosen salesperson will then have the opportunity to co-ordinate that interest and ensure the buyers compete with each other to buy your property. This competition is the essential component of a premium price.

Calling Time. Part of the process for working with exclusive agencies at well run real estate firms involves what the industry refers to as "calling time". This process involves the use of text messaging to all salespeople in the agency's team when an offer is going to be presented to a vendor. Crucially this allows any other salesperson who has an interested buyer to register interest with the salesperson who plans to present the offer.
Well run agencies have strict rules for how much time must then be made available to the salesperson and buyers who have registered interest to prepare a competing offer on paper. The original buyer would

also be advised that there is another offer to be presented and be given an opportunity to review their price and conditions.

The rules also cover who is able to present the offers when there are competing buyers from different salespeople. Your listing salesperson will have time to contact all other visitors who have registered interest and SalesPartner salespeople have the opportunity to let their visitors to the property know an offer is about to be presented and give them a late opportunity to register their own interest.

The first goal of calling time is to encourage all salespeople, other than your listing salesperson, in the agency's team to introduce your property to their buyers with confidence that the property will not be sold without their buyers having an opportunity to prepare an offer.

The process is also designed to ensure the offers you are presented with reflect all the interest from buyers currently in a position to proceed. If this competition between buyers has generated an offer above your reserve price you can proceed in the knowledge that there is unlikely to be any undiscovered interest that might provide a higher price. Calling time gives you an opportunity to select one of the offers to negotiate with, and for your agency it identifies other potential buyers if the first customer does not complete a satisfactory purchase. A well managed calling time process for controlled listings is a key component in achieving the best net price for vendors and the calling time process **does not apply for open listings.**

Many builders, commercial properties and farms use Open Listings so why shouldn't you? Firstly we believe this proportion is diminishing as commercial vendors realise the benefits of exclusive listings. Secondly, where it persists, the vendors usually have extensive experience of selling property and feel capable of being able to control the process. We strongly recommend vendors choose a salesperson and firm to be exclusively responsible for achieving the best net price for them.

Chapter 7. Let’s make a choice of salesperson. For a list see page 81.

The key to making the right choice is that to get the best price for their property a vendor needs to have buyers competing to buy it. In a multi-offer situation where other salespeople in the office have interested buyers the listing salesperson, who may also have interested buyers, should not know what the competing offers are until they are opened in the presence of an independent person, usually the office sales manager. This is for the vendor’s protection and will often achieve better outcomes than where all the interest comes exclusively through the listing salesperson. Auctions and Tenders are formal versions of this process but it also should apply in less formalised multi-offer situations.

When you are selecting the best salesperson to work with, you could ask the salesperson not only how many properties they have personally sold, but also how many of the properties they listed in the past twelve months were sold by other members of their team. Any significant number is a good answer. Very few or none is a warning sign for you. You may be hiring a salesperson who will find a buyer, locate or select a property for them, and then negotiate with you to make the property affordable for their buyer, without encouraging competition.

You should not choose your salesperson by assessing the level of estimated selling prices. The high estimate salesperson is not buying your property but they may be buying your listing. You should commission the salesperson who demonstrates the best marketing and negotiating expertise and is able to document the processes they will use to find the best net buyer for you.

To be successful for you, the salesperson you choose may also be called upon to deal with awkward customers and their advisers and be able to represent your best interests in stressful situations. If you find their approach professional and well informed your buyers will too.

Chapter 8. Let's choose a marketing plan.

How do you achieve the best net price?

Some of the best properties to come on the market sell quickly to buyers introduced by the salesperson who listed the property. This is true in any market but at the height of a previous property boom, I was told by a firm in Ponsonby that most of the properties they listed during the week were being sold before or during their first weekend on the market.

The clear problem in a more normal market for you the vendor is how to establish that the person making the early offer is paying a fair "market price". We realise vendors will often be prepared to sacrifice a few percent of "potential market price" for the convenience of a quick sale and avoiding possible months of uncertainty, holding costs, presentation costs and the wide public exposure of their property, especially if they are still living in it. If the vendor can be assured that the early offer is a good price there are many incentives for accepting it. We believe preview marketing is the key to ensuring early offers are credible. To achieve this, your salesperson and their colleagues need good databases and your salesperson needs to be able to document their pro-active marketing processes.

One reason some properties stay on the market for months is that they are overpriced. The vendors' expectations are much higher than those of the buyers. These properties can become pinball listings which buyers visit and bounce off when they find there are other properties with similar features available at more competitive prices.

For us the interesting aspect of this has been uncovering how these properties come to be overpriced. Vendors now have access to many sources of information on the potential market value of their properties. These include Valuation NZ assessments, which reflect overall market appreciation since the last sale; although these can be three or four months out of date, and have not included an assessment of the current condition and the home improvements since the property was purchased. Nor does it take into account whether the property was well marketed when last sold or the purchasers achieved a bargain at the time they bought it. It is also worth noting that only registered improvements will be reflected in a rateable valuation and any loss of condition or lack of maintenance will be ignored.

Vendors can also go to local open homes, get details of the sales of comparable properties in their area from real estate agents and, most crucial of all, decide which local salespeople to invite to appraise their home.

This opens the door wide to the greatest source of overpricing - the varied opinions of real estate salespeople. We have done some research on how widely these opinions can vary. When a new property comes on the market the real estate firms call this a “new listing” and to ensure all the salespeople in the office are familiar with the new listings the office organises agents’ viewings, often as a group on a particular day of the week. These agent viewings of the week’s new listings are often called “caravans”. During or after the caravan salespeople discuss what sort of buyers should be invited to the property and may be asked to record their estimate of what the property will sell for. Their opinions of what the “market price” for the property is can vary markedly. You too could ask a local real estate salesperson how wide the range of salespeople’s estimates can be.

In this situation there is nothing riding on the estimate for the salespeople, they will have all been seeing the same comparative properties in their office caravans. They will all be aware of the same recent sales in their market place. They will probably have in mind particular buyers that they feel the property would suit and have a rough idea of what those purchasers are willing to pay. They are people with the widest knowledge of their local market and still our research indicates their estimates can vary by as much as $50,000 and $80,000 or more than 10 % either way on any particular home.

So, in the event that a vendor calls in one salesperson from each of several competing real estate firms, where the salesperson who lists the property can get a commission and everyone else misses out and the vendor insists on a price assessment, there is a huge upside bias. The salespeople have every incentive to maximise their price assessment in order to secure the listing in a competitive situation.

The profession even has an expression for exaggerated appraisals which they call "buying the listing". Even if all salespeople who appraise the property act with superhuman integrity it is likely the price the vendor naturally prefers is the one at the very top of the range. If they choose the salesperson who will market their property based on their assessment being the highest one they are locked in to a situation which can rapidly lead to their property becoming a "pinball" listing.

The salesperson has a great deal of difficulty fronting up to the vendors where there is little buyer interest when they are the one responsible for overpricing the listing. If they recommend the vendor significantly lower their price expectations at an early stage of the marketing to get their property in the market not just on the market and to spark buyer interest, they lack credibility. The property stays on the market while others around it get sold by salespeople with proactive marketing plans and competing buyers. Eventually even new buyers start by asking why it hasn't sold and their expectation is that it may have hidden problems.

For many salespeople a pinball listing is better than no listing, so one of the first things they ask a vendor is what opinions they have already developed on price and if a strong opinion is expressed the salesperson's best option is to agree with it. The salesperson you want to select should be able to use CMAs to illustrate the market as they see it, show detailed flyers on recent sales and SalesPartner reports illustrating what they and their team members did to sell similar properties.

They should have the documentation to educate you about the current market and let you assess the marketing strategies and target price. SalesPartner makes it easy to print full property profiles of the sold properties that are included in their CMA. These flyers are ones that would have been given to interested buyers during the marketing of the sold property.

With SalesPartner your salesperson can provide summary reports of the marketing activity for their recent sales. This documentation should demonstrate the written reports the salesperson provided their past vendors during the marketing of their property. They should include summaries and detailed overviews of the reactions of buyers (without names) who were introduced to the properties and details of the marketing plans the salesperson implemented.

A SalesPartner salesperson with an electronic notebook or computer in the interview room should be able to use rolling picture shows to illustrate sold properties. This is a very useful process in some circumstances to enable you to assess the market and your options. It is the nearest thing to being able to visit the recent sales in your area that are comparable to your own property and will illustrate the differences at the same time.

A picture show may be worth a thousand words but can also be misleading as they do not usually take into account the area and surrounds. For example, there may be a high voltage power pylon across the road. A good drive round list, or taking the time to drive past the comparable properties which the salesperson included in your CMA can also help give you a much better idea of the relative value of your property.

You can expect many of your potential buyers to have visited recently sold properties while they were on the market and to use the photo shows and drive round techniques as well.

Now that you have a good idea of the comparable prices that other properties sold for in your area, you should ask for details of the marketing plans used to achieve those prices.

In our experience some salespeople and agencies offer a wide range of marketing plans and others recommend just one or two options. Within an agency some salespeople may push Auctions others may push for fixed price. In New Zealand current popular marketing plans include Auctions, Tenders, Fixed Price, By Negotiation, Buyer Enquiry Over ..., Deadline sales, Set sales ranges, and Conditional and Cash price marketing.

A salesperson who presents a particular form of marketing such as Auction, Tender, Priced sale or by negotiation and does not explain your options and how they will determine the best approach for your property is a salesperson to avoid. However if you have chosen to interview that salesperson knowing they favour a particular marketing method and the method suits you, then their bias should not be a problem. A good salesperson will be able to explain the advantages and disadvantages of alternative methods of sale and be able to advise how to determine the best one for you.

The approach we recommend for SalesPartner users is to introduce your property to salespeople in the agency as soon as it is listed and for them to invite current buyers from their databases to preview the property before the following Monday. They can then help you make an informed choice of the appropriate marketing plan based on the level of interest uncovered.

Your agency and your salesperson might find a sufficiently keen buyer from the preview process who meets your price expectations.

An early offer could well be worth accepting when it is inspired by a buyer who wants to secure your property before the formal marketing program starts. They may feel that by making an early offer they can avoid being placed in a competitive situation and may offer a premium price to avoid the sense of loss they might feel if they miss out.

When your salesperson and other members of their agency team are using proactive marketing techniques, they will be able to provide you with an informed assessment of the likely number of buyers in a position to proceed, that have interest in your property. If this is a situation where only one or two buyers have expressed interest the early offer could well be the best possible price.

If there are a number of buyers interested in your property and already in or nearly in, a position to proceed with the purchase then this process has confirmed that there is sufficient interest for a successful Auction.

Your salesperson should be able to explain why an Auction would be in the best interest of the buyers for your property, as well as for you the vendors.

If the previews do not find a number of keen buyers in a position to proceed, your salesperson will be able to advise which of the alternative marketing and promotion plans, their firm recommends, would have the most likelihood of success.

A good salesperson, worth commissioning, will also include a number of review points during the marketing of your property and will be able to recommend appropriate second and third phase marketing plans designed to ensure your property gets “in the market” and attracts buyer interest before becoming “stale” or a “pinball listing”.

Chapter 9. Open homes – should you have them? How to get the most out of them?

Open Homes are your best opportunity for your salesperson to meet new potential buyers. For many visitors to New Zealand the key role open homes play in the marketing a property is unexpected, but as buyers they soon catch on. We have effectively developed a local approach to the role of open homes. They are more significant and more central to finding the best buyer than in other markets.

Your salesperson should be able to invite potential buyers from their database. This is the key to achieving well attended open homes and creating the impression for buyers that there is competing interest in the property. Ask to see invitations for other properties they are marketing.

Your salesperson should prepare enough "whole page for buyers" information flyers together with CMAs for buyers and any other documentation needed. They must have a dated register for the open home and fill it out when greeting visitors. (Ask to see examples)

After the open home when they call the visitors they should note their comments and include them in both verbal and written reports to their vendors. (Ask for a no-names example report from a previous listing)

They should be able to send letters and emails thanking the visitors for attending and offering any follow up visits that may be required. These follow up letters are a key to your property standing out from the crowd and also provide an easy path back to your salesperson should the buyer's motivation change. They are especially valuable for those visitors who do not indicate a high level of interest in the property at the time of the visit. They may have made an offer on another property or be participating in a current tender. If they miss out they may become highly motivated potential buyers for your property. Ask to see sample letters.

One area that good salespeople have to figure out is how they deal with more of their vendors wanting open homes than they can physically cope with. We recommend 30 minute open homes and where they are working with a colleague or personal assistant they have them close the properties so your salesperson can open them on the half hour.

Some basic presentation tips for open homes:

Presentation is important. Salespeople who have systems to invite interested buyers to previews and open homes achieve the best net prices for their vendors. However these processes work best when the property is well presented from the start of marketing. Consider investing in improvements before the first visitors come. Also if you are selling a rented property and are determined to sell, consider having the property vacant or formalising an agreement with your tenants with an incentive for them to assist in the marketing process.

Ask your salesperson for a list of potential improvements.

Depersonalise your home and remove or pack as many items as possible.
Make sure all valuable items are securely locked away.
Personal and family photos can be a distraction rather than a positive.
Ensure pets are off the premises.
Attention to the garden and section are often the least expensive improvements with the highest pay off.
During the open home access should be controlled through one point and usually no access provided from other parts of the house to the outside. Keen buyers can organise more extensive viewings with your salesperson.

After the open home check all access points and windows are secure especially ones you do not usually open,

Chapter 10. Paying extra for promotion to increase your property's profile.

NB In any market, most active buyers will be known to at least one of the salespeople in your office if the members of your agency's team are keeping a good database and follow up all visitors to their open homes. This is the basis for pro-active marketing campaigns but good promotion and advertising helps expand the buyer pool and is also noticed by currently active buyers.

Another insight from David Knox (a real estate trainer based in the USA) is looking more deeply into the concept of "market price". It is easy to talk about "market price" as though it is an achievable, knowable level for any property. Would you agree that all properties sold through the market have sold at "market price"? This seems instinctively to be a contradiction even though it must be true.

David Knox points out that "market price" is a concept like "room temperature". All rooms are at "room temperature" but it is obvious to us that some rooms are warmer than others. Some market prices are also better than others.

How big a range to expect for "market prices" can be gathered from the 12 to 15% either side of the achieved selling price that a professional valuation may assesses as a property's value in advance of the sale. Also remember the 10 to 20% either side of the ultimate selling price often reported in salespeople's estimates after caravans. Even at a relatively conservative 10% either way, a sale at the top end of the range of "market prices" for the property can have a very large impact on the net equity recovered by the vendor.

So how do you achieve a top end sale? We put together some thoughts on "room temperature" with the objective of illustrating ways to achieve a hotter "market price".

How do you warm up a room?

1) *Fill it with people* – the key to getting a succession of people through the property you want to warm up is pro-active databasing and your salesperson's contact management. Your salesperson must have systems to let as many people as possible, who might visit, know that you have a property to sell.
2) *Kitchens are warm rooms* - primarily because there is lots of activity centred around them and there is heat given off while preparing meals. Have a marketing plan, have a responsible person (the designated chef), have a controlled listing (not a general) and have a series of activities building up to a decision time like preparing for a good meal.
3) *Plug the gaps and stop the drafts to warm up a room* – improve the presentation of your property, do the small repairs and keep the gardens and surrounds tidy for a hotter price.
4) *A sure way to increase a room's temperature is to expose it to the sun or put in a heater* – this is a good parallel for profile marketing. Your salesperson should help you to put your property in the sun with good advertising and promotion. Combined with good timing, ensuring adverts are noticed during negotiations with buyers, this spotlighting will contribute to a hotter market price.
5) *Continue activity in your kitchen with lots of courses and snack options.* During your marketing consider optional extra adverts and activities, like extra delivery of neighbourhood trump flyers when prices change to keep the communication processes going.
6) *Have your friends and relatives visit as often as possible* – you should ensure your salesperson provides you flyers and information sheets you can give out to friends, relatives, work colleagues and other potentially interested people. Also they should make it easy for you to send URLs (web links) highlighting their property to others in your circle of family and friends. Andrew and others will even provide a web site for your property.
7) *Have a party* – have your salesperson set up a preview by invitation for your listing and get the buyers noticing each other as well as the property itself. The best path to achieving the best price is to ensure buyers are competing with each other. Schedule another party based around an Auction or Tender date coupled with marketing and promotion *to raise the temperature* before the party starts.

Agencies will advertise your property in their windows, on web sites and in traditional media like newspapers and property magazines. We have seen in an earlier chapter that only a small portion of the standard fees you pay can be allocated to this process and in general all listings are treated equally. It is also important to note that the standard advertising provided by the agency is provided for all properties including those you are competing with for buyer's attention and those that don't sell.

The best approach for the agency is to have an ongoing flat fee arrangement for web sites and a set number of pages in print media and then fit the properties they have available for sale into that space with an equal sizing of the advertisements.

Over committing on free advertising to gain listings together with taking on properties that are unlikely to sell are the signs of an agency or salesperson in trouble, trying to boost their own profile. Such an agency may need to sell your property even more than you do. They may end up biased towards their buyers rather than their vendors. At the other end of the scale an agency that successfully sells expensive marketing plans to its clients may be trying to ensure their vendors are over committed to the sale of the property and are left with no option, other than accepting an undesirable offer, if the market does not provide a buyer at the price the vendor would like.

It is important to note that proactive marketing by your agency might find the best buyer for your property before an advertising campaign is implemented. This occurs when there is sufficient competition between motivated and financially capable buyers attending previews when your property is first listed.

The guiding rules we would recommend include:
A: Increasing your property profile above those of other properties currently on the market with your chosen agency by investing in well designed marketing plans and taking advantage of the agency's bulk buying options can greatly enhance the net price you achieve.

B: We believe you should never agree to a plan that would cost more than 1 or 2% of the selling price you are hoping to achieve.

C: When considering the options for that budget, include property staging, handy man repairs and garden spruce ups as well as media advertising.

D: Hold back 25 to 50% until after your first offer is received or after the Tender or Auction closing date which concludes your first phase of marketing.

E: Ensure the agency discloses any margin they will obtain on any of the products they sell you in their plan as required under the Real Estate Agents Act 2008, and in addition ensure they commit in writing to providing you a detailed record of their spending and a full refund of any uncommitted funds should your property sell before the campaign ends.

If an agency can keep unspent advertising money from their vendors or use it to build their own profile they have a perverse incentive to ensure you accept early offers even if they are unattractive.

Alternately be wary of an agency wanting to pursue a high profile campaign like an auction when there is little interest in your property, as they may be working in the hope of something happening on the day which you accept and meanwhile they will be boosting their own profile from your marketing.

Remember you can withdraw your property from an auction campaign and if there is little documented interest, (no visits by building inspectors or valuers), before auction day we would recommend you do so.

Chapter 11. Warning signs: can you make a change?

The number one warning sign is a salesperson who talks about themselves and their need to make a sale. It is astonishing to us how often this attempt to get emotional sympathy from vendors is resorted to by salespeople who should be much more professional. Any family, work related or financial problems your salesperson is having should never be disclosed to you as the client and if they are they should play no part in your decision to list with that salesperson or accept an offer from a buyer or influence a marketing or pricing decision.

If this approach occurs or conversation moves along these lines and you have already listed with them you should immediately report the matter to their manager. If you have not already listed with them then you should politely explain that you are considering other options and will let them know your decision in due course. When you do find a professional salesperson to list with, you can ask them to tell the other salesperson they missed out.

A salesperson who cannot negotiate and protect their fees with potential vendors like you is not the best choice to negotiate and protect the price of your property with potential buyers. We believe a salesperson who offers or readily accepts a fee cut should also be avoided because they are unlikely to get you the best net price. If you are still attracted to using that salesperson and want to assess your risk in accepting the lower fee we recommend you contact their manager and ask whether the fee level offered is standard and how many of the properties listed by that salesperson at low fees were sold by other members of the team in the past six months. If they won’t or can’t say you should definitely keep looking.

A salesperson who claims to have the ideal buyer for you and does not want to run a marketing campaign is another warning sign. Sometimes they may have a good buyer keen to pay a premium price but it is a risky situation for you the vendor. The buyer may also be a friend or relative of the salesperson. There are some protections in the case of relatives in the 2008 Act. They may also be motivated by the potential sale of the buyer's property. The best protection for you is buyer competition.

Under the new act a salesperson must provide you with a sale price estimate in writing before listing your property, and you must sign a listing before they bring their prospect buyer onto your property. You also have 24 hours to cancel the listing agreement. However if the buyer has been introduced to you or your property during that 24 hours and subsequently buys the property you would be expected to pay the agency's commission. You may even end up liable for commission to more than one agency.

Our recommendation would be to avoid signing the listing form long enough to ask for presentations from a couple of other salespeople from different agencies active in your area. Make your own judgement as to which salesperson and agency to work with and then sign the form.

It is important to remember that once you have signed a listing form you are usually committed to that salesperson and agency for at least 90 days but buyers are not committed to anyone. If they are a keen buyer for your home they are likely to find your property through any agency you choose. The photo sign we recommend you install at your gate will help with that process.

It is not so easy for you to switch salespeople when the "ideal buyer" they claim to have turns out to prefer another property or not to have access to the funds needed to buy your house.

It is always best to choose your salesperson based on the services and skills they will use to market your property rather than on their ability to promote themselves or promise you the highest price outcomes. The salesperson with the highest market price estimate for your property is often the least likely to achieve the best result for you.

Chapter 12 The negotiators edge.

One of the key skills to look for in a Salesperson for your property is that they are good negotiators.

What does being a good negotiator mean in real estate?

When marketing your property some salespeople use techniques that are primarily designed to discover the lowest price at which you would be prepared to sell. This would be your "minimum reserve" or "walk away" price.

Once they have discovered this price level they will focus on finding a buyer prepared to meet that price and on getting the property sold. This focus question is critical in a situation where the marketing has not produced competing buyers for your property who are willing to pay a price you would be readily satisfied with.

Competing buyers can give rise to a price that would enable you to take the decision to sell and feel that your real estate salesperson has conducted a process that produced a fair or even a premium outcome for you. The skills to have your property properly presented to the widest possible number of potential buyers, to make them aware of the benefits that would come with purchasing your property and to encourage them, and the salespeople who are advising them, to compete with each other to buy it, are the primary skills of good marketing by your real estate salesperson.

However the market does not always produce competing buyers. When it doesn't you need a salesperson with the negotiating edge. The difference between your minimum reserve or walk away price and the price for which you actually sell the property can be considered your negotiator's premium. A salesperson with the negotiator's edge will concentrate on achieving the maximum margin between your final sale price and what they understand to be your minimum reserve.

Another way of looking at this challenge is that when you first go to market as a vendor you will have in mind a possible selling price range with possibly tens of thousands between what you would call a premium outcome and what you would consider your minimum reserve. When the buyer, who might eventually be the best buyer for your property, first approaches the market they would usually concentrate on properties they could purchase for the least possible investment, and will need to be encouraged to consider their purchase as a value for money decision with a higher level of investment.

As the salespeople the buyers and the seller are dealing with get to uncover their clients' dominant motivations and financial capacity their negotiating skill includes the ability to bring the widely different expectations into line and achieve a sale.

In New Zealand vendors pay the real estate agents fees and you might therefore expect that salespeople would approach the market in a consistent manner and be trained to always look at the transaction from the vendor's point of view. Unfortunately this is not always the case. Some trainers we have met even claim that what the vendor primarily wants is the SALE and the price is a secondary consideration. Anyone who thinks that way has definitely lost their negotiating edge, or may be simply using their negotiating skills to reveal your minimum reserve price as early as possible in the sale process.

How do you discover a salesperson with the negotiating edge?
The key here is to know you should be looking for this particular skill when you interview potential salespeople.

Obviously, we believe any salesperson who cannot defend their own company fees or does not recommend to you a commission rate that will fully engage other members of their team has lost their edge.

You could ask your potential salesperson what they consider to be their definition of the service they are offering. Too much emphasis on getting you a sale and not enough on how to achieve a sale with the best net result for you would be another significant warning sign.

You should be offered promotion packages that ensure your property is noticed by as many buyers as possible, including database marketing. Reject a salesperson who cannot demonstrate that they have an active database and that appears unfamiliar with obtaining quality photos and preparing photo signs and premium advertisements.

You should be able to discuss staging and presentation and obtain good advice in these areas. Reject a salesperson who recommends you market the property “as is where is” if you want the opportunity to achieve a premium price. Similarly reject any salesperson who recommends going to market before you have properly prepared the property if you have that option available.

You could ask for evidence or overviews of what would happen if the primary marketing technique they recommend, Auction, Tender, Deadline sale or priced for sale by private treaty, does not produce a buyer willing to pay a price you would be happy to accept. In other words what would be the strategy they would use for their second phase of marketing for your property and can they illustrate this for you with examples from past sales?

You can ask how they would assist a buyer to be able to purchase your property and check whether they can provide potential buyers with access to appropriate support materials and inexpensive, competent, independent advisors. You (or friends) can visit open homes for other properties they currently have on the market to see how visitors are treated and followed up. You could check their references and their presentation materials to develop an assessment of whether they have concentrated on achieving the best financial outcomes for their previous vendor clients.

Chapter 12. Odd rules of the game.

The Open Home rule – no buyer protection

One of the interesting aspects of Open Homes in New Zealand is the way selling commissions work. The public are generally unaware that if they go to an Open Home conducted by another salesperson in the firm and then call their favourite agent to help them buy it, the salesperson they want to deal with is unable to claim a selling commission. If you have a favourite salesperson in a local firm let them know which Open Homes you are going to before you visit. A text or email message, sent as early as possible, should be sufficient.

Teams may be ignored when assessing results

Salespeople might claim to be number one in their office, district or market place but such claims can be manipulated. If you want to list with the leading local salesperson at your favourite office we would recommend you check with the manager first.

The advertising lock in

Some firms and some trainers believe that if they can sell a vendor a marketing plan which requires the client to make a large commitment to a high level of profile marketing then that vendor will be "locked in". They will not want to start again with another firm and they will be more motivated to accept whatever offer the market comes up with. This can be a risk with low fee agencies and is also prevalent with firms who do *not have a good understanding of proactive or database marketing*.

The no refund approach to advertising plans

When firms sell you a profile marketing package they must advise if they receive any commissions from the media they will use to promote your property. An equally important consideration for you is what they will do with any unspent advertising contribution. Ask what happens to uncommitted advertising funds in the event of an early sale and get written confirmation that your contribution will be fully accounted for and any unspent money refunded.

The "they are part of my marketing plan?" presentation
In some parts of the country there are accepted processes in place for salespeople from other offices to introduce buyers to your listing. However, such practices are not universal and any purchaser who approaches you directly should be referred without comment and definitely without being shown through your property, to your selected salesperson. If another licensed salesperson approaches you directly and you wish to show them through your property you are entitled to do so. We would recommend you make a written note of any comments or proposals that they make as soon as practical after or during their visit. If they claim to have "a buyer" suitable for your property you should refer them to your exclusive agent. The salesperson risks being accused of what used to be termed "twisting" and in a determination dated 11th Feb 20011 the REAA Complaints assessment Committee confirmed they regard behaviour by an agent that does not respect an exclusive agency as unsatisfactory.

Appraisals – and presentations
Salespeople offer free appraisals as part of their prospecting for potential properties to sell. A free appraisal offer is designed to give you an idea of the current market before you decide to put your property on the market. Salespeople will happily provide you with annual free appraisals to keep you current with local market trends. When you are ready to put your property on the market an appraisal will form part of a listing presentation. Appraisals can be expected to err on the high side.

The presentation is effectively a job interview where you are choosing which salesperson to hire to market your property. At this point the processes used to find the best buyer for your property and achieve the best available offer are the keys to success. These processes should be the focus of the presentation. The appraisal levels from the competing salespeople are indicative of the different assessments which you would find by bringing through a team of salespeople from the same office and asking for a price level. The highest appraisal level may well be presented by the salesperson least able to achieve it if they cannot match the marketing tools and processes of their competing colleagues.

Properties go stale.
Buyers worry about hidden problems with properties that have been on the market for some time. Leaving a property on the market for an extended period when it is not attracting interested buyers is a mistake. If you want to sell your property for the best net price you need to keep reviewing the presentation, promotion and price until you achieve competing buyers or a good offer. If this does not work with your current agency consider listing with another agency and salesperson, or withdrawing your property for a period and relisting with the same salesperson, (who should then be able to reintroduce your property to previous visitors if they are a SalesPartner salesperson).

Properties can sell above their listed price.
Properties marketed with a price attract the widest pool of buyers and in a well managed campaign which includes “calling time” processes they can attract competing buyers and eventually sell at a premium to the asking price. In recognition of this agencies may market properties with Buyer Enquiry Over $NNN,NNN. This base price must be set at a level where you the vendor will give serious consideration to offers or it could be regarded as “Bait Marketing” by the Commerce Commission.

Properties can sell without being advertised in the usual media.
Pro-active database marketing tools are now sufficiently widely used to allow some agencies to provide effective services to “Quiet Listings” which are properties that are not advertised on web sites or in traditional media. If you are considering this option you need to be sure you have found an agency or salesperson skilled in database marketing and invest in excellent presentation and you should be as flexible as possible over allowing visits and previews from interested potential buyers.

Salespeople have considerable freedom.

Some salespeople at a particular agency may invest in comprehensive databases, others will not. Some salespeople are not keen on auctions or Open Homes. Some will be good at drafting adverts and organising profile marketing, others will be less skilled. Some salespeople keep excellent records of visits and comments from buyers and will report these fully to their vendors and be able to follow up all visitors at important points in the marketing of your property, others will not.

Salespeople can be good negotiators and always work with the interest of their vendors to the fore, others will have less skill or be facing personal pressures that may take precedence. Your task is to commission the best salesperson you can find on these criteria not the one who assesses the highest value for your property.

Relisting with another salesperson in the same firm

We have some experience of vendors who have turned down offers from competing buyers, withdrawn their property and relisted at a later date with a different salesperson at the same agency expecting the same level of service as previously experienced, but maybe a lower commission. This strategy is very unlikely to be successful.

The original salesperson will be much more likely to achieve the best result and they will not be embarrassed by a vendor that changes their objectives. SalesPartner salespeople will also be able to reintroduce the property to the buyers recorded in their database as having expressed interest previously. While all good salespeople will try to find the most suitable properties for their keen buyers, their priority is always to service their own vendors. If you have found a good salesperson but the market didn't find your price when you listed with them, you should strongly favour relisting with that salesperson. The big mistake is to assume all salespeople are providing equal skills and similar services.

Listing with the duty salesperson

You may have chosen an agency to visit and ask them to list your property. You will be referred to the salesperson "on duty" and this is unlikely to be the best salesperson in the office. Very often the best salesperson is too busy to be “on duty”. We recommend you check with other sources and at least ask the manager to recommend the best salesperson for you and your area. Explain that you will do the same with at least one or two other competing firms in your area.

Listing with the salesperson who finds you a property to buy
We recommend that you don’t automatically list your property with the salesperson who finds you a property to buy but do interview two or three others to confirm their ability to represent you as a seller.

Using a salesperson out of their area
If the best salesperson you have found is based in an agency in your area that is an advantage. If they work in a neighbouring area you should more carefully assess their marketing plans and ask for proof that they have previously achieved good results for other vendors in similar circumstances.

Solicitors’ role in advising clients
It is right to involve your professional advisers as soon as practicable in the marketing of your property and the advice of an experienced solicitor can be invaluable. It is important to give them all the information available including CMAs and marketing reports when asking for their advice and to remember that the final decision to buy or sell a property is yours. Some solicitors may not be familiar with modern pro-active marketing techniques and it may be helpful to have them confer with your salesperson or agency manager to clarify issues that might arise.

Considering an early offer
Buyers will often make early offers when a property is new to the market. They may do this because they want to avoid an auction or they have missed out in recent tenders or they are particularly keen on your property. We believe you should give serious consideration to these early offers and at this point the skills and experience of your

salesperson are very important for you. If your salesperson is skilled in pro-active and database marketing they should be able to document how your property has already been introduced to a significant number of buyers in a position to proceed and that you have the best offer available from among them. If there are numerous buyers interested you might be best served to proceed with an auction or tender campaign. If however there are only one or two active buyers interested we recommend you give full consideration to the early offer. At that point you have the advantage of the buyers' fear of missing out, but exposing the lack of competition through an auction or deadline sale that doesn't meet your reserve will likely lead to a lower offer.

Note: Some agencies might recommend proceeding with the marketing campaign even though there is little competing interest from buyers but this could be as much in their own cause as it is in yours.

Web site hits may not measure anything much.

Property web sites report hits, and this number is often passed on to vendors as significant marketing activity, but a hit is recorded whenever a property is included in a list of properties shown on screen during a search. It does not mean the searcher looked at the property and multiple hits can be recorded by the same searcher. Property views are more significant because they record when someone actually clicked on the property to view it, but they will also include every view opened by yourself or your family and by interested salespeople. That said, internet based marketing is very important in reaching buyers currently active in the market place and your salesperson should be able to demonstrate that your property will be included in the main portal websites.

Web links and web sites

Individual salespeople can invest in their own web links and web sites which they use to ensure the properties they list are presented to as many active buyers as possible. In the agencies that are focussed on the best outcomes for their vendors, these salespeople' web links and web sites will expose all or any of the properties marketed by the office whether listed by the salesperson or someone else in their team.

CMAs for buyers - insist on them

With SalesPartner we have many options for providing CMAs for buyers. We understand keen buyers make their initial choices based on emotion and then justify with logic. CMAs for buyers are an important tool for confirming their logic and helping them complete the purchase.

A Lim, valuation and builder's report provided by the vendor can reduce buyers' costs and extend the pool of buyers.

Most valuers and builders reports need to be reassessed or readdressed when a particular buyer wants to rely upon them so even when you provide them they may still be required to be conditions in the contract.

Agree price talk

"Price talk" is the phrasing salespeople use when answering questions about the price of your property. Good salespeople will not specifically reveal your reasons for selling to buyers and will have worked out, and recorded in their notes, a considered response to buyers asking about the price for your property. You can ask for the price talk to be agreed before confirming your listing.

Property issues known to your salesperson must be revealed to all buyers

An excellent question for a buyer – "Is there anything else I should know about this property before I make an offer?" Salespeople have a duty of care towards their customers, the buyers, and must reveal issues or defects they are aware of.

Vendors make warranties about their property in the standard sales and purchase agreement.

Ask your agency for a copy of the standard agreement they expect to use when marketing your property and ask your solicitor to advise you of the warranties included.

Your price. Don’t get caught as a “pinball listing” be in the market. When considering the prices salespeople assess for your property remember that a busy salesperson is under much less pressure to exaggerate potential selling prices but is much more likely to achieve the best result for you. A “pinball listing” is one which members of the sales team consider over priced and they may bring visitors through simply to persuade them of the value in other properties they are marketing.

The cooling off period under the REAA 2008 – don’t let salespeople bring a buyer through your house before the 24 hours of the cooling off period are over. If you choose to cancel the agency agreement you could end up owing that salesperson full commission if that buyer buys, or is connected with the person who buys the property through another firm. In the worst case you could end up owing two commissions. If you want to get rid of a pressuring salesperson, advise another salesperson or better still the agency manager of the problem. Under the current code of conduct they are obliged to deal with and report any potentially serious misconduct by a colleague.

Auction and Tender marketing is aimed at a limited group of buyers but when successful should include the best buyers for you.
A well run auction that presents your property to competing buyers can expose the buyers’ fighting funds and inspire a new higher market level for your property. On the negative side a failed auction marketing campaign can put a great deal of pressure on vendors to “meet the market” by lowering their price expectations in a pressure situation.

Auctions may appear to be preferred by some firms and may seem to be putting pressure on their vendors but can also be recommended because they are a means of keeping all the sales team involved and allowing salespeople other than the listing salesperson an easier opportunity to sell the property. An agency which prefers the auction method may also be light on proactive marketing skills and expect you to invest substantially in traditional advertising to generate interest in your property. Often the choice between Auction or Tender reflects the expectation of buyers in the area and the skills of the local agencies.

Auction and Tender and other forms of “no price marketing” limit the potential buyers. We know there are many buyers who skip across properties which are advertised without a price. **This is not a problem if these marketing techniques capture the buyers most likely to pay the best net price for your property**. It is a positive advantage when they ensure competition among these buyers. How many of the potential active buyers respond to Auction and Tender marketing campaigns is also partly a function of how common the process is in your area. To be successful for you, the vendor, the objective is achieved when the campaign attracts the most interested buyers in a position to proceed and ensures they compete with each other.

Auction and Tender marketing campaigns fail when they do not attract such buyers. Salespeople who have mastered pro-active marketing and SalesPartner techniques will be better able to help you assess how appropriate a “marketing without price” campaign would be for your property. Your salesperson should be able to organise a preview for your property with their database clients when it is first listed and report to you the level of interest that is identified by that process.

If there is not much interest from current active buyers in a position to proceed we recommend you consider other marketing techniques like selling with a price, “buyer enquiry over” revealing your reserve price level, or a deadline sale with a price. These approaches expand the pool of buyers from which you can attract interest through advertising and web marketing.

If your salesperson cannot document clear interest from intending buyers before an auction such as records of organised visits by valuers and building inspectors on behalf of interested buyers, we believe you should seriously consider withdrawing your property from sale before the auction day. In practice you can use a “failed” Auction or Tender campaign to help determine your “Buyer Enquiry Over” price for the next phase of marketing your property rather than accept the unacceptable under a pressure situation.

You can keep some marketing money in reserve.
Advertising, promotion and presentation budgets should include your budget for garden spruce up and handyman services. We recommend you base your budget on a 1% base with a 2% maximum for profile marketing, promotion and presentation costs and only commit half of the budget initially, saving the other half until the first offers come in, or you need to relist with another salesperson. If the first offers are satisfactory you’ve saved some money. If not when you commit some of the balance, the buyers will notice. For an auction or tender commit 70% initially and save 30% for a potential follow on campaign – and possibly commit that when the first offers come in.

Web sites can reveal the price expectations of you the vendor.
Web site price bands are hard to manipulate and indicate within given price bands where any Auction or Tender property is considered to lie. As far as we know currently Realestate.co.nz uses $100,000 bands behind the scenes or averages of the limits entered. TradeMe uses $50,000 bands for most properties.

The big firm or the small firm
Many real estate agencies that look like large firms may in fact act like small firms if they are franchised offices. The policies and approaches of franchised offices can also differ markedly from other firms in the same franchise or brand. The primary key to a successful sale is to select the best salesperson and agency manager to deal with, and then ensure their

agency supports that salesperson's pro-active approach and encourages competition among buyers and the salespeople representing them.

The view that the internet will sell all properties is not correct
Real Estate marketing is still a very local process. Several years ago we researched all the buyers for an Upper Hutt agency and discovered that in twelve months the purchaser who came from the most distant address was from Levin which is a town within 150 km.

Buyers often check out the internet before settling on a list of properties to view or deciding to attend open homes. They will also research favoured areas and assess affordability of properties using the net. It is relatively easy for buyers to register their requirements with one or a number of web sites to be sent a link when a matching property is listed.

Some web site providers argue vendors should ensure all possible details are provided on the web so buyers can be fully informed before visiting the property and some salespeople counter argue that this leads to buyers crossing properties off their viewing list before visiting and missing out on suitable properties which could readily meet their objectives. Which of these views make most sense often depends on the type of property being marketed and the type of buyer doing the searching. It's worth noting that traditional media advertising in magazines and the press has natural limitations on the amount of text or the number of features and benefits that can be included in any given space. This limitation does not apply in the same manner for internet advertising and QR codes can now be used to link the internet presentations to the traditional media.

In any case it is very rare for any purchaser to do all their due diligence through the internet and not visit or send a representative to visit with a local salesperson. The local salesperson also knows of "quiet listings" which are not being marketed on the net and will be aware of recently withdrawn properties which might be suitable for particular buyers.

Once a pro-active salesperson is able to develop an informed view of the buyer's objectives and capability they will offer them previews and market updates using web links with both the options of quick overviews or full details of suitable properties. The big change is that using txts, email and the internet salespeople are able to provide this pro-active approach for far more contacts and customers than ever before.

The view that the internet would provide a mechanism where most buyers gravitate to one or two portal web sites where they obtain enough detail to choose the property they want to buy and can complete their purchase through other internet based services has not come to fruition.

This many to one model has been in competition with the one to many approach implemented by salespeople who use pro-active marketing techniques. Buying an investment property may be possible without personally visiting but buying a home without a prior visit or due diligence would be foolhardy. This fact together with the fact that most buyers are local or at least continuously visiting the areas which they are intending to purchase in and want professional support during the process provides the opportunity for skilled salespeople to obtain premium results for both their clients, their vendors and their customers.

Market cycles:
When many people are interested in buying a property in your area and most of them are in a position to buy prices will tend to rise. You will be in a vendors' market. Conversely if you are in a position to buy property when it is difficult for others to do so or there are extra properties on the market during a time of net migration, scarce finance or overbuilding then you will be in a buyers' market. By definition most of us are in a position to buy properties at the same time as others are also in the market. We cannot pick the top or the bottom of the market so the main secret is to know our own situation well, avoid over reaction either up or down and obtain advice from qualified professionals active in the current market place.

There will always be conflicting opinions about the overall direction of the market but if you ask someone who has bought and sold properties every seven years or so throughout their life you will find they made their purchases and sales because they needed to, for family, their career or simply when they were in a position to do so, for access to schools, a holiday home or as an investment.

Even if they are professional investors they are unlikely to have primarily made the decisions based on market price changes before the purchases. They will be aware though that over time real estate has normally been a good investment.

This appreciation is underwritten by the long term rising costs of land and new buildings or developments. If property prices in your area increase an average of as little as 3 percent a year, after 7 years the value of property in your area will be 123% of the current values. This is “only” a 23% increase but more than doubles the equity from a buyer’s 20% deposit. The appreciation process can be sped up or sometimes reversed by migration cycles and funding availability impacting demand.

The number for 4 percent appreciation is 132% of the purchase values. For 5% appreciation the number is 141% of the starting values. In this case after 7 years a buyers’ equity would be three times the 20% deposit plus whatever portion of the loan capital the buyers will have repaid.

History demonstrates that residential property values can go down but more often rise and sometimes by more than 10% in any one year. The advantage for property is that it is a leveraged purchase, banks will help you buy it, and if you start with 20% equity and are able to secure a property where the interest, repairs, rates and taxes, and other holding costs are in line with your expected average rent payments over the next seven years then your equity has been a great investment.

Unlike most other investments, with property you are able, through your own effort and skills, to improve the value of your investment. Similarly by active neglect you can diminish the absolute or relative value.

For property investors and developers there is an obvious advantage in ensuring that when they choose to sell a property they find the best real estate sales partner to work with. For a home owner a key factor to consider when considering market cycles is that you are most often buying and selling in the same market. This renders the state of the market of far less importance than finding a salesperson to work with who can ensure you have every opportunity to achieve a premium sale. Once all the best processes have been applied it is your choice whether the offers put forward allow you to achieve your own objectives.
In summary you might aim to start your property owning lifecycle in a reasonable, rather than overheated, market and when buying and selling in future markets ensure you select the right salesperson to help you achieve the best net price then available.

A final tip for negotiating fees.
When you are presented with an offer for your property that achieves your objectives for your net price and allows you to make your next real estate move, the standard fees for your agency and salesperson will have been a good investment. If however you are faced with an offer that you could walk away from, you could ask your salesperson if there is anything they could do to make the net proceeds from the offer acceptable. Your salesperson and agency will likely make every effort to have their buyers raise their offer so that you can achieve your net price but if they cannot achieve that they may prefer to reduce their fees rather than lose your sale.

The time to negotiate fees may be when the best offer for your property from the current market has been found. If that offer is readily accepted then you should go ahead and accept it so as not to lose that purchaser, but if the offer is unacceptable without some reduction in fees you have nothing to lose by pointing this out to your agency and assessing their response. This negotiation could encompass a refund of some marketing costs, a contribution to your solicitor’s fees or a direct cut in the fees to be charged. You could raise this approach even after a passed in Auction where your reserve price was not achieved and you may then be asked to deal directly with failed bidders. Ask for written confirmation of any adjustment agreed to from your agency manager or listing salesperson.

An agreed offer is not yet a sale

Sometimes the process of achieving an agreement is time consuming and intense, especially if you are negotiating fees at the same time. However when you achieve agreement it is really just the start of a new phase in the process of achieving a sale. It is a necessary step but only a step. The offer itself can usually be withdrawn by the potential buyers at any time, right up until they have been officially advised of your acceptance. After advice of acceptance is conveyed, unless the offer is already unconditional, the purchasers have to be given the agreed time to carry out their researches and work through the conditions contained in the agreement. Sometimes extensions are requested and may be agreed to rather than have the agreement lapse. Sometimes the agreement does not become unconditional and new buyers must be found. In this event, if you have negotiated reduced fees for the lapsed agreement, it may be in your interest to agree to reinstate the original commission rates for any subsequent offer that improves on the original agreement. You want to give every possible encouragement to all members of the team to continue working to achieve the best possible sale of your property.

Tips to find your Real Estate Sales Partner

Make a short list of potential salespeople and invite them to make listing presentations. These are their job interviews and you could use the following rating scale to assess the applicants. If you cannot find someone who measures up to these tests please send us an email.
Team@salespartner.co.nz

And we will see whether we can help. All feedback is welcome.

Rating your potential salespeople:

Recommended by other recent vendors	5
They have a weekly pro active property email	5
They have a personal web site.	5
They look through the whole property including cupboards and walk the section. – If not deduct 5 points	-5
CMA to back up written price indication is required - if not	-5
Their Comparative market analysis includes photos add	5
They provide detailed flyers on comparable properties that have sold recently	5
Includes activity tracks and what the agency did to sell other properties showing that they document and report activity to vendors	10
Provides a Marketing plan with a calendar for your property which includes options for you to consider alternatives	5
They offer a preview using database marketing;	5
Provides a choice of marketing options (price tender auction etc)	5
Provides good profile options while not over committing you. Up to 1% is fine, over 2% is excessive.	5
Agrees to account for your marketing contribution and refund any unspent amounts.	10
Has personally sold or listed 1 or more properties per month in the previous six months	10
Deduct 20 points if none of the properties they listed in the past six months were sold by colleagues	-20
Can justify and defend their firm's standard fee structure	5
Deduct 20 points if they offer reduced commission without you asking for it; deduct 10 if you asked. Remember this salesperson could be talking to your buyers.	-20
Deduct 20 points if they discuss their own financial situation and try to play on your sympathies for them	-20

Total: