Peasy

Negotiating and Auction Tips

A Guide On How To Negotiate The Best Price For A Property

NEGOTIATING AND AUCTION TIPS

Let's face it, with all of the data available on the internet, that hidden little gem or "renovators delight" is extremely hard to find, so if you stumble upon something that looks like a bargain, chances are other people have as well... At which point, it is no longer a bargain!

This means it has never been more important to know how to present the right offer, either at auction or through a private treaty, and the right amount of research will help you get there!

What This Guide Gives You.

We have compiled a guide that aims to provide you with all of the information necessary to negotiate the right price for a property you are looking to buy, as well as tips and tricks to help you prepare when going into auction.

We have also included some helpful bidding techniques and a list of key questions to ask.

Lastly, we have prepared an Auction Quiz at the back of this guide that you can answer.

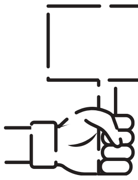
How To Use This Guide?

We made this guide straightforward and easy to use! Simply go through the sections one by one.

To maximise this guide, make sure to use the space we allocated at the bottom of each page to take down notes and answer our questions. These are key questions worth asking and might help in weighing out your decision.

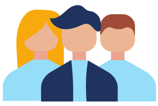
Make sure to also answer the Quiz at the back of this guide to test out your knowledge and make sure you are ready for Auction Day.

Let's get right into it!



Knowing How Much To Pay

Before you know how much to pay for a property, you need to be crystal clear on WHY you are buying the property in the first place. For example, is this a house you are going to live in for the next 20 years, or is it a quick buy and flip? The reason this is important is because it will help you determine whether you should be going hard at one property or limping in with multiple low offers at many.



If it is a property you really want, you need to know who you are up against and how you're going to beat their offers. This is NOT the time to go for a "bargain". Instead, it is about preparing yourself to pay fair market value but be quick and well researched.

If you're looking at investing, try not to set your heart on any one property in particular unless you need something really specific. You need to have multiple fall-back options, and if you know the market and the property well enough, your offers should be pretty close to the mark. The more properties you have, the more offers you can make. This means you're less likely to be emotionally attached to an individual property and there are more chances you'll get something at a good price.

Why are you buying this property in the first place?

Be prepared to negotiate everything BUT the price

If you're wanting a good price for a property, think about the things that you would be willing to 'give up' in order to get it. Some ideas could be;

Allowing the owners to "rent back" the property from you whilst they search for another property - This is a HUGE plus for anyone looking to upgrade or downgrade.

Shorten or extend the settlement term - Most settlement terms are 6 weeks, although maybe the sellers want a quick sale to meet a financial commitment, or a long settlement to give them time to find another property.

Consider an unconditional offer - Nothing is more powerful than giving your offer to the agent as a non-negotiable offer with a 10% deposit in the form of a cheque, especially if your offer is a strong one. Of course this comes with all the caveats possible to make sure you're prepared with finance and your due diligence!

Give a deadline on your offer - The agents will usually put a deadline on buyers to get their offers in, so it can be good to turn the tables. Make sure you do so in a nice and friendly manner though, as opposed to arrogant or cocky. E.g. Tell the agent you love the property but there's another one you are looking at and they only have 24 hours to accept your offer. This is especially powerful if your offer is strong and non-negotiable (i.e. you're actually prepared to walk away from even $1 more).

Here are some key questions worth asking:

1. Why is the vendor looking to sell and how does it affect my offer?

2. Is the vendor living in the property or is it being used for investment?

3. How long has the property been on the market for?

4. Have there been other offers? What range are they in the vicinity of?

5. What are the preferred settlement terms?

We've included a few simple tips that might help you prepare for the big day!

Most people we speak to are terrified of auctions. There are many reasons why, with many people being of the impression that they will 'pay too much' when under pressure. On the contrary, auctions are one of the most transparent ways to buy a property. You get to know who your competition is, and you generally know by the end of it what the market was willing to pay. If you're well researched, this can be a great way to buy, and we've provided some tips below that might help.

Don't be fooled by under/overquoting

Various agents in markets across the country have different ways of setting prices as a way of getting the highest sale price.

A **heated market** would usually see more "underquoting". This is where the agent purposefully prices a property lower than its expected to sell for in a bid to generate as much interest as possible. In theory, if more people attend an open home or auction, it will add pressure on potential buyers to pay a higher price. A **dropping market** would usually list for a higher price guide and be open for negotiation.

This way, potential buyers think they are getting a "good deal". This can backfire however, as it can cause some buyers to overlook the property altogether. Thorough research will help you determine fair market value for the property you're looking at, so don't be deterred by a high price or fooled by a low price when looking at properties. It can be costly!

Know your walk away price and make sure it's realistic

Trust your research, you'll see us say this a lot! Know the maximum price you are willing to pay for a property and don't exceed it.

How do you work out your limit?
Well this all depends on why your purchasing the property in the first place. If you're looking for an investment, try working out the value and take away 2.5% - 5%

If it's your dream home, try 2.5% - 5% higher. Of course, make sure it's all within your budget! Either way, don't give in to pressure on the day and don't ever give away how much you're willing to pay until you bid!

Get some practice!

Like anything in life, it's always good to do a couple of practice runs before a big event.

Go to as many auctions as you can and imagine yourself in the bidders shoes to see how you would feel in that situation. You're best to try and be as relaxed as possible.

Also, test out your research. Try and have a guess at what you think the property might sell for and see how close you can get. You can make a game of it!

Helpful bidding techniques

At last! The juicy stuff! Hopefully you haven't skipped forward to this section as everything up to this point is crucial! Your bidding techniques directly correlate with how you should bid on the day. There can only be one winner on the day, and in some cases if the reserve is set too high, there can be no winners!

Try setting your maximum to an odd number.

Many bidders will set their maximum to a round number such as $700,000, so if this is your maximum, try $702,000 or $705,000 so you have a little extra gas in the tank!

Auctions are 99% mind games

and you are competing against other bidders, so if you don't have a game face, try asking your partner or a friend to bid for you. Make sure the bidder is alone and that you don't bring along the emotional party, even if that's you. Try and stay relaxed!

Don't bid until the property is "on the market".

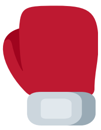
This means the reserve has been met. The auctioneer will let you know loud and clear when this happens.

Never exceed your own bid!

This might seem silly, although in the heat of battle it's common for bidders to give in to the auctioneer and bid against themselves. If your bid is the highest, stick to that bid until another bidder outbids you.

Make sure you know your competition!

This means turn up early and see how many bidders register, and get a good vantage point whilst bidding so you can see who you're up against.



The "knock out bid"

Given you are well researched, you should know within a 5% margin what the property is likely to go for, so don't be afraid to put in a strong bid nice and early to knock out any competition. Same goes if you see that bidding is slow and there are still a lot of other bidders. For example, if you're willing to pay $700,000 for a property and bidding is around $620,000 going up in $10,000 increments, don't be afraid to bid $680,000. It will show them that you're serious and can be demoralising for other bidders.

Be prepared for a quick counteroffer!

If it's you and one other bidder, make sure you're prepared to counter whatever they bid, and fast! It shows confidence and will help you get the upper hand. Just make sure you stay within your limit! Just remember, be prepared, be confident, and hopefully you'll be the winner too!

AUCTION QUIZ

True or False

1. It's better to bring a group of people with you to the Auction for emotional support.

2. If your bid is the highest, stick to the bid until another person outbids you.

3. A heated market would usually see more "overquoting".

4. If the highest bid exceeds my limit, I should just bid anyway and hope the finance comes through.

5. It's best if I know how many people I'm bidding against before the auction.

6. If there are lots of bidders it can be a good idea to go in hard with a "knock out bid"

7. I should set my maximum bid to an odd number.

8. I can determine the fair market value of a property based on what the property next door sold for 5 years prior even though it's got more bedrooms and bathrooms.

9. I shouldn't be deterred by a high price or fooled by a low price when looking at properties.

10. If it's you and one other bidder, make sure you're prepared to counter whatever they bid and fast and stay within your limit.

Answers: 1. F, 2. T, 3. F, 4. F, 5. T, 6. T, 7. T, 8. F, 9. T, 10. T

Auction	The selling of any property, real or personal, in public by a licensed auctioneer, who offers the property for sale, starting at a price possibly much below its value, and endeavours to persuade those present to make successively increased offers until it is knocked down to the highest bidder. A reserve price may be placed on the property by the owner and no sale can then be made below this price.
Buyer's market	The condition which exists when, under competitive conditions, the pressures of supply and demand are such that market prices are at a relatively low level, giving the buyer an advantage. An over-supply causing prices to decline.
Conditions of sale	The conditions under which a purchaser takes property sold to them.
Cooling off period	A period after the contract is made (Usually 5 days in NSW) when the purchaser may cancel the contract.
Counter offer	A new offer as to price, terms and conditions, made in reply to a prior unacceptable one. Normally the counter offer terminates the previous offer.
DA	Development Application
Fair value	Value that is reasonable and consistent with all of the known facts. See "Market Value"
Fixtures	The parts of a property that are usually included in the sale, such as light fittings, carpets, awnings, and so on.
Gazumping	Where the vendor agrees to sell a property, but then sells it to someone else or raises the price.
Joint Tenants and Tenants in Common	Property may be owned under joint tenancy or tenancy in common. Joint tenancy is ownership in equal undivided shares, and are stated to have the technical requisites of unity of possession, interest, title and time. The most important feature of joint tenancy is known as survivorship; on the death of one joint tenant, that person's share passes to the survivors so that they remain joint tenants of the whole. Joint tenants are regarded collectively as a single person in respect of their dealings with others. In the case of tenancy in common, although each has an undivided share, such share is distinct and separate. The interests need not be equal; thus 'A' may have one undivided third share, and 'B' two undivided third shares of the same property. The most important feature is that the share of a tenant-in-common may be separately disposed of during a person's lifetime, or by will. On death it passes, not to the other tenants-in-common, but by will, or by the laws of intestacy.
Market Price	The price actually paid, or to be paid, for a property
Occupation Certificate	A legal document that certifies that the construction is in compliance with the approved building plans.
Passed in	If a property is not sold at auction because the owner's reserve price has not been reached, it is passed in. The highest bidder having first option to purchase at the reserve price. It is then possible to negotiate for the purchase, either on the same day or afterwards. Properties so passed in are mostly sold shortly afterwards at a price close to the passed-in figure.
Private sale	An owner sells a property without using an estate agent.
Private treaty sale	An owner sells a property using an estate agent who deals directly with the buyer/s. The property is not offered for auction.
Reserve price	The minimum price at which the owner of a property is prepared to sell a property at auction.
Section 66W Certificate	Waives the standard cooling off period and makes the contract binding upon the parties (rather than 5 days after exchange).
Seller's market	When any community including real estate is in short supply, the seller is in a more commanding position. Within reason, an owner can generally name their price and terms.
Settlement	This is the final stage of the sale when the purchaser completes the payment of the contract price to the vendor and takes legal possession of the property.
Stamp duty	State governments impose a stamp duty, or tax, on the purchase of property. The amount of tax payable is calculated as a percentage of the property's purchase price. Only buyers pay stamp duty.
STCA	Subject to Council Approval
Valuation	An opinion or summation of the salability of a property without resorting to a full-scale valuation.
Vendor	The owner selling the property.

We're people, people. And our people are people, people

Our focus is about opening more doors for our customers through great relationships with lenders and customers alike.

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