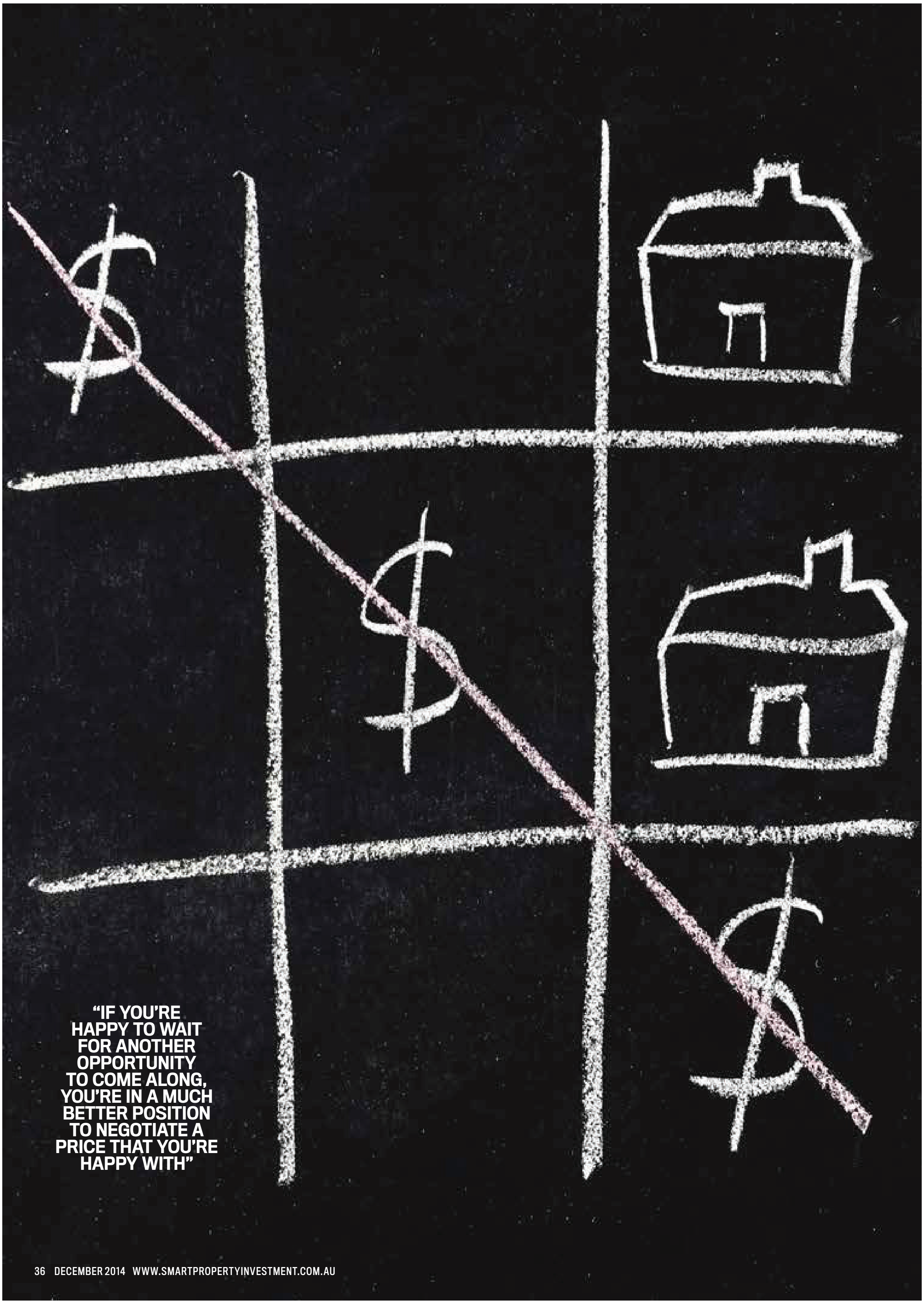
50 boom suburbs
Smart Property Investment



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SIX TOP TIPS FOR BUYING AT THE BEST PRICE

As property values set new records, snapping up a bargain is more challenging than ever. Stefanie Garber finds out how you can nab the best property at the lowest possible price

1. Identify good-value buys

To know whether a property is a good deal, you need to understand the local market, according to author and buyer's agent Miriam Sandkuhler from Property Mavens.

"When you've done the research to understand what similar properties should be worth, then you should easily be able to recognise if something is being offered below market value," she says.

However, buyer's agent Warwick Brookes from Domain Advocates warns cheap properties are often unpopular for a specific reason. As an investor, you need to evaluate whether the defect is a quick fix or a lost cause.

"If you want a bargain, you need to find a property that has some compromises but you need to understand what those compromises are and if they can be fixed," he says.

In some cases, it may be as simple as painting over an unattractive colour scheme or modernising the internal fittings. In others, the problems may be too severe.

"If you buy a compromised property where you can't fix the compromise, you're going to have to sell it cheap as well," Mr Brookes says.

Buyers should also be wary of relying on asking price to determine value, particularly in a rising market, according to Meighan Hetherington from Property Pursuit.

"We always say that asking price is irrelevant. In a seller's market, it's not the seller that determines what the price is going to be, it's the other buyers," she says.

Investors need to do their own research to determine what the property might sell for rather than going solely on the advertised sum, she believes.

"IT WAS PASSED IN AT AUCTION - THEN WE BOUGHT IT FOR LESS"
INVESTOR PROFILE

DALE JONES

Dale Jones' Melbourne investment property was a long time coming - but when he and his fiancée finally found the perfect purchase, it turned out better than they could have imagined.

The couple spent over four years searching for the perfect opportunity to buy in Melbourne. Their big challenge was working out exactly what they wanted from their investment.

"We started off looking at where we might want to retire. Then we thought, 'That's still 25 years away'," Dale says.

They considered a range of locations, from Hervey Bay to Rainbow Beach, before settling on Melbourne as their target market.

"Then we were looking at property types - did we want a unit or a house? Then price - what is our budget? There were too many questions and we didn't have the expertise to make the decision," Dale says.

Being located in Karratha, 5,000 kilometres away, made finding a property especially difficult. In 2012, they bought a town house in Brisbane, recommended by a friend who was a developer, but were no closer to finding their ideal Melbourne investment.

Over beers at the cricket, a friend who worked in real estate encouraged Dale to get in touch with a buyer's advocate. He began working with Miriam Sandkuhler from Property Mavens and the process quickly took off.

Miriam identified a property in Kensington, which she valued at around $720,000. At the auction, however, the worker's cottage sold for a staggering $855,000. Dale believes they made the right choice in backing out of the bidding.

"We had the right house at the right budget but someone was overpaying for the property," he says.

An opportunity came up in Ascot Vale that was within their budget and would deliver a healthy rental return. Though the suburb was outside of their original plan, Dale and his fiancée decided to pursue it. After the house was put up for auction and passed in, Miriam went in to seal the deal.

"She negotiated a price which was less than it was passed in for. She also negotiated the washing machine and dryer, worth $3,500, be left in the property," Dale says.

When these goods were removed in breach of the contract, they were able to knock a few thousand more off the purchase price, according to Dale. He reports the property has already increased in value since June.

Dale is confident they bought at the best possible price.

"What we found was different to what we pictured. But when we actually got to view the house, it far exceeded our expectations, that's for sure," he says.

Ascot Vale, Vic 2 2

Purchased	Purchase price	Current value	Rent
June 2014	$721,000	$721,000	$580p/w

2. Work out what the vendor needs

Vendors have different motivations for putting their property on the market - if you can tap into these emotional drivers, you have a much better chance of your offer being accepted, according to Ms Hetherington.

"We find sellers are usually looking for one of three things: they want the highest price, they're looking for specific timing of the sale or they're looking for privacy," she says.

The vendor's motivation will determine how firmly they push for a higher price, she believes. For example, a vendor keen to keep their sale confidential - perhaps due to family or business reasons - may be prepared to accept a lower price if it means not having to advertise online.

Ms Sandkuhler encourages investors to ask questions of the real estate agent to determine why the property is being sold. If the owners are separating, have committed to another property purchase or are facing repossession, they may be motivated to sell more quickly at a lower price.

Another indicator, according to Mr Brookes, is the length of time the property has been on the market.

"If it's been up for a little while, obviously they're asking too much money and they might be starting to get desperate," he says.

"If you know it has to be sold, you can typically go in a bit harder."

3. Offer to sweeten the deal

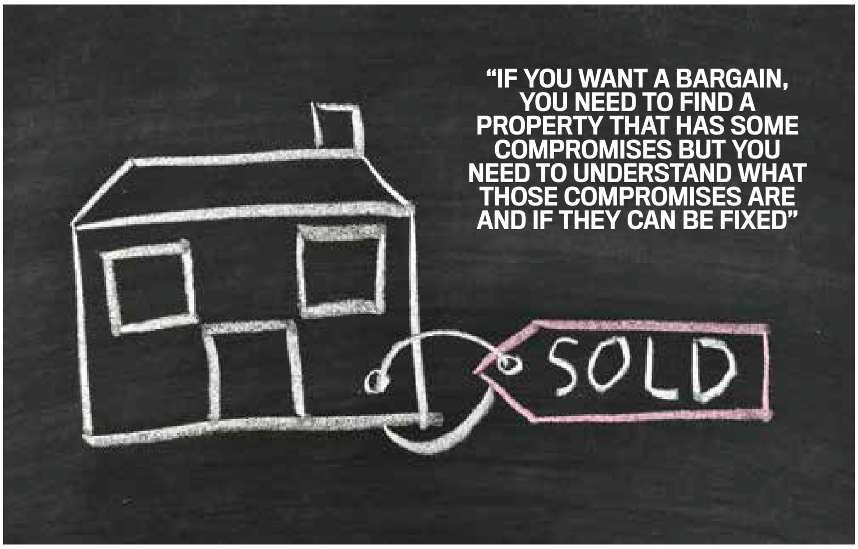
Once you know why the vendor is selling up, you can tailor your offer to their circumstances.

"You have to find out the seller's motivation and structure the negotiation to meet the seller's needs," Ms Hetherington says.

Apart from a higher price, there are plenty of other factors that may persuade a vendor to choose you over someone else, Ms Sandkuhler says.

Depending on their circumstances, some owners may be enticed by a shorter or longer settlement period, she suggests. Otherwise, they may like the option of renting back the property until they have purchased somewhere new, or the early release of the deposit so they can access cash faster.

"They might be prepared to give a little on price if you can accommodate them in other aspects of the offer," she says.



Signing an unconditional contract can also help beat out other buyers, Mr Brookes suggests.

"When someone else has made an offer subject to finance and you haven't, the owner will typically take the offer without the conditions," he says.

However, he warns buyers to be cautious with this approach - if finance then falls through or major issues with the building are identified, you may not be able to get out of the contract.

An alternative approach may be to have a building inspection carried out and use any faults as negotiation points, Mr Brookes says.

"If you have identified issues and it's not going to be a huge cost to fix, you can sometimes say to agents that you are not going to pay full price for the property," he says.

4. Understand agent tactics

Even active investors may only be involved in a handful of property deals each year. Real estate agents, on the other hand, are involved in hundreds of negotiations, putting them at a distinct advantage.

Mr Brookes encourages investors to be alert for tactics used by agents to inflate the price.

"Most of the time they'll tell you they have another person interested or they are getting an offer from another person," he says.

In some cases, the other buyer may not even exist. While unethical, this practice is all too common, Mr Brookes believes.

"If they say they have another offer, I would always ask for proof," he says.

But, it is equally important to show agents that you mean business.

"To show them you're serious, give them an offer on the contract," Mr Brookes says.

As an added advantage, all formal offers on signed contracts must be presented to the vendor by law, Mr Brookes says. As such, the agent cannot withhold your offer from the vendor in the hopes of a higher bid coming through at a later point.

Ms Sandkuhler also cautions about the practice of underquoting, which she believes is common in Victoria. In this scenario, agents deliberately provide an unrealistically low price to drum up competition in the property.

"If there is a lack of transparency or honesty around that advertised price, then of course it's going to be very difficult for buyers to negotiate," she says.

Ms Hetherington reports that similarly, in Brisbane, advertised prices are often well below the actual sales prices. However, rather than a ploy by unscrupulous agents, she suggests this is a symptom of high activity.

"What we're finding at the moment is that properties that appear to be priced well are often selling in excess of that price," she says.

5. Stick to your guns...

Once you have identified a price you would be willing to pay, it's important to commit to it, according to Mr Brookes.

"You have to be willing to stand your ground and not let the agent intimidate you," he says.

Investors should not pay more than what they believe is a fair market price, based on research and comparable sales, he urges. In some cases, this might mean losing out to another buyer with a better offer.

"It's about being willing to not get the property," Mr Brookes says.

"If you're happy to wait for another opportunity to come along, you're in a much better position to negotiate a price that you're happy with."

Getting emotionally attached is a sure-fire way to overpay for the property.

"If you love it, the agent is going to use their negotiation techniques to pull on those strings and make you think you're going to miss out," Mr Brookes says.

6. ...but avoid playing hardball

All savvy investors want to buy at the best price possible. However, Ms Hetherington warns intense negotiation tactics may scare vendors off.

"It's a very different negotiation to a business negotiation because it is about people's homes and their emotions, their needs and desires," she says.

"What people often don't understand is selling a property is a very emotional and personal process."

Vendors who feel bullied or pressured may back out of the negotiation completely, she warns.

"Making threats will just put the vendor off. If you put a seller offside, they're not going to sell to you," she says.

In addition, buyers who push for an unrealistically low price may miss out on opportunities altogether. This is particularly problematic in an environment where prices are rapidly climbing, according to Ms Hetherington.

"If the market is rising and you could have bought six months ago, you may now have to pay more for a different property," she says.

"You want to buy well but you don't want to be too aggressive in making low offers if there are other people out there who will pay more than you."

If your offers are consistently getting rejected, you may need to rethink your approach, Ms Sandkuhler suggests.

"If people are looking for property that is beyond their capacity, they need to do a reality check and adjust their criteria. That way, they can actually buy something they want," she explains.

"It's about understanding the situation, being realistic and evaluating the pros and cons of the offer you are presenting." ■