

Private Sale or Auction?



Selling your home via auction or private treaty is never an easy decision to make.

Your real estate agent may have a strong opinion about which is the better option so be sure to quiz them about the reasons for their preference. It might also help to look at auction clearance rates in your area as market conditions can influence the success of either sales method.

The style of property, its location and the time-frame in which you wish to sell are other factors that should influence your choice. Here are some of the common reasons why sellers choose one method over the other.

Reasons to choose auctions

- Quick sale. The fixed date of an auction and fast turnaround of the marketing campaign gives buyers a definite time limit in which a decision must be made.
- Market price. The market decides what the property is worth rather than the seller.
- Competition. An auction is an emotionally charged event and if you have two buyers battling it out, they may end up pushing up the sales price well in excess of the seller's expectations!

- Convenience. A short campaign means fewer times you have to open your house for inspection.
- No cooling off. Unlike a private treaty sale there is no 'cooling off' period, so a buyer can't change their mind after they have signed the contract under auction conditions.

Reasons to choose private treaty

- Less pressure. There is no official sale date until an offer is accepted, which reduces the sense of urgency.
- Predetermined asking price. The owner nominates the asking price based on market research and in consultation with the agent.
- More time. There's the luxury of time both to attract more interest and to consider offers.
- Test the water. You can dip your toe in the water and see if someone will make you an offer you can't refuse.
- Negotiation. More opportunity to work with interested buyers to come to an agreed sales price.



What our clients say.

Simply Sensational!

Derek and Phillipa

I found them to be extremely trustworthy, reliable and efficient.

David

They were very professional, responsive and customer focused.

Susan

We found Mortgage Simplicity an absolute life saver.

Andrew and Jasmine

Efficient, friendly service.

Russell

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Mortgage Simplicity
23 Milton Parade
Malvern Vic 3144

With compliments

Join us...



t	03 9832 0802
f	03 9832 0803
e	enquiry@mortgagesimplicity.com.au
w	www.mortgagesimplicity.com.au



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JANUARY/FEBRUARY 2012 | NEWSLETTER



We head into the New Year with some uncertainty about what lies ahead, with the risk of another recession building in the United States and European Union.

Amid this uncertainty comes the good news of interest rate cuts. When the Reserve Bank gave us the early Christmas present of a 25 basis point rate cut, it marked the first back-to-back monthly cut since April 2009. The December reduction alone will save the average mortgage holder - with a \$300,000, 25-year mortgage - about \$47 a month. With more interest rate cuts predicted in the coming months, this will surely help us start the New Year with a smile.

In this issue of the newsletter we look at the topics of home valuation (page 2), renovating to sell (page 3) and the pros and cons of selling your home by private treaty or auction (page 4).

Enjoy this newsletter and feel free to pass it on to family and friends.



THE YEAR AHEAD



PUT A PRICE ON YOUR HOME



RENOVATE TO SELL



PRIVATE SALE OR AUCTION?

The Year Ahead

With so many mixed messages going around about the state of the economy, we thought it was time to look at what the statistics tell us.

Here's a round-up of the latest research on the Australian property market (sourced from SQM Research and Genworth's Home Grown Mortgage Industry Perspectives report)

- Australians remain better placed to cope with their debt levels than borrowers in many other countries. 45% of Australian borrowers are overpaying their mortgage, compared to an eight-country average of 26% (across Canada, India, Ireland, Italy, Mexico, the UK and the US).

- The typical borrower in 2012 is expected to be refiners and upgraders, with first homebuyers and investors remaining cautious.
- In the past year, WA has seen the largest growth in lending, then QLD, followed by VIC and NSW, with SA and TAS having seen a drop in home lending.
- Of the capital cities, Sydney stands out as a being on track for house price growth of between zero and 4 per cent by the end of 2012, factoring in no interest rate change.

The statistics show us it's not all doom and gloom, with the health of the property market varying from suburb-to-suburb and state-to-state. As your mortgage broker we would be happy to speak with you in person about any lending issues you may be concerned about for the coming year.



We are members of the Mortgage & Finance Association of Australia (MFAA), the peak industry body. All members are bound by a strict code of ethics to ensure the highest levels of service, integrity and professionalism.

Put a Price on Your Home

How do you go about finding out the true value of your home? You might not want to go to the expense of hiring a qualified property valuer, but you are worried about the accuracy of relying on market appraisals from real estate agents or online property price reports.

Your choice should largely depend on what you want the valuation for and how much you are prepared to spend. A professional valuation by a qualified valuer will give you the most accurate indication of what your property is worth but it will cost you a few hundred dollars. In many situations this might be a worthwhile investment, such as if you are trying to decide whether to sell or refinance and you need a clear picture of your options. Qualified, independent valuations are also expected by most lenders if you are borrowing to buy a new property, refinancing or want to access the equity in your home.

By comparison, market appraisals from real estate agents and e-valuations cannot be relied on for their accuracy but they are useful in some situations, such as for increasing your market knowledge of property prices and providing you with a price estimate at little or no cost.

You may decide that you want to use a combination of the following options for figuring out what your property is worth.

1. Compare prices

Compare your property with recent sales in the area and keep an eye on what comparable properties have sold for. Make sure the properties you compare with have similar features like the same number of bathrooms and bedrooms.

2. E-valuations

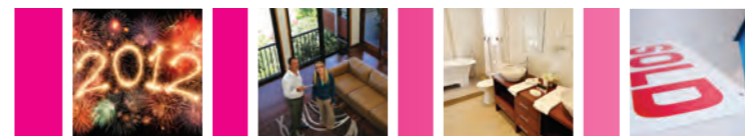
There are many websites offering automated property valuations, some of which are accurate and others not. Choosing a decent website can be a bit of a lottery so it pays to stick with reputable sources like RP Data, Australian Property Monitors and Residex and look for reports that give information about comparable sales in the area or the historical sale prices of the property.

3. Real Estate Agent Appraisals

Estate agents often provide free market appraisals of what they believe the property will sell for. In many cases you can rely on an agent to give you a decent estimate but keep in mind that some agents might be overpricing to get the contract or underpricing for a quick and easy sale.

4. Licensed valuation

A comprehensive valuation includes a thorough internal and external inspection of the property that takes into account the property's unique attributes. This is combined into a report that includes recent comparable sales in the area and prevailing market conditions.



Renovation is one of the ways you can differentiate your home to attract buyers in a slow market, but you need to do your homework to ensure that renovating before you sell is worth the time, effort and money.

Renovation, whether major or minor, is no guarantee that you'll be able to ask more money for your home. It's important to know what to renovate so that your home appeals to a large number of buyers, and that the renovations won't cost you more than what they're worth to the value of the home.

Is it feasible?

Knowing how much you should spend is all about research. A good starting point is to estimate how much your home is worth now versus what it could be worth when renovated. Look at other properties that are already renovated and are similar in terms of building style, number of bedrooms and block of land – this will give you an estimated sale price.

Take your estimated sale price and subtract your expenses and expected profit in order to work out your renovation budget. Get some quotes on the kind of work you are thinking of having done and make a decision about whether you can do a decent renovation job for this amount.

Overspending on a renovation will eat straight into your potential profit so it's important to be clear about how much the work will cost and whether it will be more or less than the value gain.

Will it appeal to buyers?

Focus on renovations that appeal to the majority of buyers such as work done to the kitchen and bathroom. Renovating to sell is a business decision so opt for a neutral look that will appeal to more people rather than making choices based on personal preference. Visit display homes, look at magazines and talk to real estate agents to get a sense of what the current 'look' is in home presentation.

The more labour you undertake yourself, the less risk there is of overcapitalising, so be prepared to get your hands dirty with jobs you can do yourself.

Renovate to highlight your home's best features, focusing on appearance rather than function. If you have a choice between replacing the hot water heater or re-painting the house, for example, it's the new paint not the water heater that will impress the buyers.

Did you know?

You can add value to your property with the following features:

1. Good-looking façade – fresh paint, tidy garden, roof/fences/ window frames in good repair.
2. Landscape – presentable from the street and privacy from neighbours.
3. Deck/terrace – an outdoor living space that leads off from the indoor entertainment area.
4. Updated kitchen – new fixtures, open-plan style and quality appliances.
5. Bathroom – an added or remodeled bathroom.
6. Additional bedroom – only if you can add it without overcapitalising.
7. Green features – solar hot water, energy efficient lights, energy efficient fittings, grey water system, drip irrigation.

Book Review

Screw Business As Usual

Richard Branson

Can we bring more meaning to our lives and help change the world at the same time? Richard Branson, at his brilliant and motivating best, reveals how with his exciting new vision for the future. It is time to turn capitalism upside down – to shift our values, to switch from a profit focus to caring for people, communities and the planet.

With inspiration for everyone, Screw Business As Usual shows how easy it is for both businesses and individuals to embark on a whole new way of doing things, solving major problems and turning our work into something we both love and are proud of.

