

THE RESIDENTIAL

Issue One

Auction Day

An Inside View

It has been an early Saturday morning start, hectic with preparations. You finally catch your breath as you wait in anticipation, nervous in the lounge of your home that only minutes earlier was filled with strangers scanning your personal space.

You part the sheer curtains to look out the front window and notice a large crowd, a mix of neighbours, friends, family, potential buyers, and agents. You remain unaware of the opportunist bargain hunters as they stealthily blend into the crowd.

The agency's auction flag is mounted on their sale board, waving to the attention of drivers-by with the words "Auction Today".

Auction day has arrived, the large crowd gives you some confidence and assurance that it will all go well.

Comforted knowing you have set your reserve price (the minimum price you will sell for) with your agent the day before provides some security that you won't undersell your home.

With the lounge window slightly ajar you listen to the auctioneer welcome the crowd and thank you the vendor for the opportunity to sell your home today.

The auctioneer runs through the formal pre-auction spill and then poses the critical question....

Do I see an opening bid anywhere?

The large crowd remains completely silent, most avoiding direct eye contact with the auctioneer out of fear of being signalled out to bid.

Pacing from left to right the auctioneer once again asks the crowd for an opening bid. Again silence.

It seems no one is willing to open the bidding. The agent with clipboard in hand starts frantically approaching the crowd to encourage a bid.



The minutes of silence seem like hours. Doubt starts to set in and you soon realise you have no control over the bidding process. Your fate rests in the hands of the buyers who will dictate the price of your home, not you.

Only 20 minutes earlier, your agent had mentioned that five buyers who had previously shown interest in your property were present today.

Where are they? Why aren't they bidding?

You remove yourself from thought and turn your attention to a bid called out by the auctioneer. Excitement quickly escapes you when you realise the auctioneer placed a "Vendor Bid" on your behalf.

It's your bid even though you are the seller!

Minutes continue to pass. The auctioneer encouragingly is still seeking a first genuine bid.

Finally some relief when a first bid is received by a buyer, then a second bid from another buyer, the price begins to slowly rise between the two in a sombre fashion and not the heated and competitive manner you expected at an auction.

You try sending a telepathic message to the two buyers to "keep bidding" but it is not received and bidding stalls well below your protected reserve price.

continued next page

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Where are the other three buyers?

The auctioneer then announces...

Ladies and gentlemen please wait a few minutes whilst we seek our Vendor's instructions....

Suddenly the pressure of the auction and its deadline, which was meant to force buyers to come up in price, has now been reversed onto you.

The auctioneer whom you just met for the first time today enters your lounge and informs you of the status of current bids. He mentions there are three other buyers potentially present who may be holding back from bidding until the property is declared on the market (meaning selling at the current bid).

The auctioneer suggests you revise your initial reserve price to entice competitive bidding which may result in more bidders joining in.

You have a few minutes to decide whether to take the gamble and accept the last bid and lesser price. The pressure to make a decision escalates. The auctioneer, keen to keep the momentum of the auction going, is looking directly at you in silence for any slight nod of the head to indicate that you are willing to sell at the current bid. There is no time to call a friend or relative.

Under duress and with some reluctance you give the signal to sell with hope the bidding will continue as the auctioneer suggested. The auctioneer acknowledges and confirms your decision before heading back out to the crowd.

The auctioneer confidently declares the property now on the market to be sold at the current bid and welcomes any new bidders.

Bidding continues and ends just how it began, increasingly slow between the same two buyers eventually coming to a stop. No new bidders emerge.

The auctioneer chants...

Going ONCE, Going TWICE, Going THREE times: SOLD!

The applause of the crowd signals the end of the auction and the new purchaser is congratulated who stands with excitement having purchased a new home and at a *price far less than they were willing to pay.*

The final sale price achieved...

\$25,000 ABOVE your SECOND RESERVE PRICE but

\$45,000 BELOW your FIRST RESERVE.

Weeks later you notice the agency's advertisement promoting the successful sale of your property with the words "Sold at Auction, \$25,000 above reserve."

From your perspective the sale was far from successful despite you having sold.

Success is measured in different ways depending on who you ask: the agent, the seller or the buyer.

Public Auctions are comparable by nature, not competitive. No negotiations are necessary as buyers are only directed to compare and bid a price slightly higher than the last bid. They are not asked to offer their highest price.

The auction relies heavily on the seller's reserve and buyers aware of this hold back bids to further lower the seller's price.

There is another alternative called the "Silent Auction" which by contrast focuses on achieving the buyer's highest price rather than the seller's lowest price.

Considering Selling?

*Contact MOSS Estate Agents on 03 9489 6622
to learn more about Silent Auction
and its benefits.*

Are you an Effective Negotiator?



By Tom Moss

I am often asked advice on how to best negotiate the sale or purchase of property.

Fundamental principles apply in any negotiation. Being aware of some of these principles will place you in strong stead to negotiate a best outcome.

Firstly analyse both your and the other side's position before entering any negotiation. Have a good understanding of the playing field and an attitude that *everything is negotiable*.

Be sincere and courteous in your communication and try to understand what the other person is potentially offering by asking and answering the question *what would I want if I was them?*

Listening and questioning is paramount. Through listening & questioning you can establish the other person's real motivation and are able to offer terms that will most likely be acceptable to you both.

Price is commonly the focus of discussions however other items can also be used as part of your negotiation.

Good negotiators always hold an ace up their sleeve.

For example, as a property seller have you ever considered excluding all your property's fixtures and fittings from a sale? Re-introducing these items later as part of your negotiation could see you earn extra dollars whilst the buyer only purchases what they actually want. This is classic win/win.

Do not let pride or emotion get the better of you. Emotional decision-making can be detrimental to achieving the best outcome. A good negotiator doesn't give the game away through displays of emotion. Remaining calm and rational ensures you avoid poor decisions or detrimental mistakes.

Remember both parties ideally want to walk away from a negotiation feeling like they've both won. If you negotiate with this in mind you are sure to reach a successful outcome that is mutually beneficial for all parties involved.



*Looking for a good negotiator
with expertise in the local
property market?*

*Contact Tom Moss on
03 9489 6622*

Message from Tom

Dear Resident,

Welcome to 2016 and to our first edition of
THE RESIDENTIAL.

Our feature article, *Auction Day: An Inside View*, provides a personal insight into the world of public auctions from a seller's perspective.

In my experience, most property sellers tend to default to this sales strategy and often overlook the benefits of alternative strategies such as the silent auction method.

A good real estate agent will provide a range of options to ensure you achieve the highest market price for your property.

I hope you find the article as well as the advice on effective negotiations useful, especially if choosing to transact in real estate in 2016.

Tom Moss
MANAGING DIRECTOR



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MOSS ESTATE AGENTS

395 High Street Northcote 3070

Phone: 03 9489 6622

Email: info@mossea.com.au



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