

SMOKE AND MIRRORS

Every sector has tricks of the trade and in real estate there are a few in an agent's toolkit that can end up costing you money. **NICOLA MCDUGALL**

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WALTER NANNI

Depending which side of the transaction you're on, there are a number of tricks and traps that an agent may use to either win your listing or sell you a property.

While the vast majority of real estate agents are in the profession to make an honest living and do right by their clients, there are a few who stray over the line from time to time.

So how can you identify what's real and what's just property smoke and mirrors? API chatted to some experts to find out.

■ DEFINING THE ROLE

While real estate sales agents have a fiduciary duty to obtain the highest price for their client, that doesn't mean they should promise a record price to obtain the listing.

Unfortunately, however, this is a common tactic that catches out many sellers.

Real Estate Institute of Queensland CEO Antonia Mercorella says sellers need to consider more than just the estimated selling price of their property before they appoint an agent.

It's also a good idea to meet with a number of different agents during the process to determine who they think will be the best person to sell their property.

“When sellers are choosing an agent to list their house with, it's possible to fall into the trap of choosing the agent who puts the highest potential sale price on your property. But there are many factors that go into what would make one agent better than another, and sellers should take all different elements into consideration,” she says.

“It's always a good idea for sellers to meet with at least three different agents and talk to them extensively. Do your own research into the value of your property and find recent sales in the area of similar homes [most property listing portals have a 'sold' section with this information readily available] that you can use to compare with the agents' information. Also, ask the agents to provide supporting evidence of their price estimates of your property.”

Cohen Handler buyers' agent Walter Nanni has worked on both sides of the transaction during his 20-plus years in real estate.

Top salespeople are trained to win a seller's business, he says, but they're also focused on achieving their client's goals and working collaboratively with them. The best selling agents also dominate a local market and live and breathe the real estate business.

If a selling agent is prepared to negotiate on the sales commission, that's usually a bad sign, he adds.

“They'll try to look like the market

leaders by dressing well and driving the expensive cars, but their main aim is to make money to pay for their expensive suit and meet their lease repayments on their car,” he says.

“So what they won't have will be a dominant market share [instead only listing and selling one or two properties a month] and they won't be achieving top prices on each deal.

“They will, however, be willing to negotiate their commission in order to pick up a listing, as they won't have a strong personal brand in the area.

“Bear in mind that there's a lot of great people who choose to list and sell real estate. Even though they might not be very good at it, it doesn't mean they're out to rip you off!”

Of course, once an agent secures a listing, they need to sell it and that's where other tricks can come into play.

From creating a sense of competition among buyers to outright lies, some agents have been known to tell a few tall tales to make a sale.

And while real estate is a highly

WALTER'S TIPS: TOP FIVE AGENTS TO AVOID

1. Salespeople who overestimate how much your home is worth (buying the listing).
2. Agents who are quick to drop their commission. They are your negotiator, but can't negotiate against you for their own money?
3. Agents who you don't think you can work with or won't represent you or your property well in the marketplace. If they don't love your property as much as you do, how can they ever sell it?
4. Agents who can't show you a list of the last 10 sales they were involved with in the past few weeks, what they achieved for their owners, and provide you with their past clients contact list – what are they hiding?
5. Agents who can't show you a clear plan and roadmap as to how they will achieve a top sales price for you (do they get the process and will they follow it?)

regulated sector, with different legislation in most states and territories, many of the sneaky tricks – whether illegal, unethical or just a bit on the nose – can be difficult to prove and difficult to avoid.

Empower Wealth partner and *Location, Location, Location Australia* co-host Bryce Holdaway has seen quite a few questionable tactics during his career as a buyers' agent.

Given Melbourne is the auction capital of Australia, he says, the top one would have to be underquoting and he uses a rather wonderful fishing metaphor to explain why they do it.

"For buyers, it's a sneaky trick that the agents know – if they quote it low, they watch it go. If they quote it high, they watch it die," he says.

"They've got the view that if they go fishing, they know they want the big fish and they want the little fish to gather around the big fish, so that the big fish eventually comes closer to the shore and they can catch it.

"They've always got that one in mind, but they use the little fish for the competition to bring them closer to what they want."

And what they want, of course, is to sell the property to the highest bidder.

Another trick that rears its head during an auction campaign is the potential for "pre-auction offers".

Holdaway says the best agents would usually never actually accept an offer before an auction because of the favourable selling and promotional conditions on auction day.

Instead, he says, the "opportunity" to buy before auction is usually nothing more than another elaborate fishing expedition.

"Pre-auction offers are one of their sneaky tricks that they use to gauge buyer interest but they may not

legitimately be ready to sell it," he says. "The way an agent can find out how much a buyer is willing to pay is actually to say 'this vendor is willing to sell before auction if they get an offer that's good enough'."

Holdaway says by putting forward a figure, the potential buyer has offered the agent a few advantages.

"The agent [then] actually does know how much that buyer is prepared to pay – they can give some meaningful information to the vendor, and they may always have intended to go to auction anyway."

■ UTILISE THE FLAWS

In every sector there are good and bad operators and real estate, of course, is no exception.

The important thing to remember is that as a buyer you can make the most of someone's lack of skills to actually make money.

Nanni says that some agents will reveal everything because they just want to sell the property.

"You make your money when you buy so you can benefit by buying from mediocre agents and out-negotiating them, provided you know the local values [because they probably won't]," he says.

"The real secret here is to listen more than you talk as the worst agents will tend to tell you everything you need to know, including how much their owner will take, how much interest is on the property, and how desperate they are, as they'll be fairly focused on making sure they get paid instead of being focused on how much they can achieve for their owners."

Holdaway says that multiple offers are relatively commonplace in the market when it's firm or when a property is in hot demand.

BRYCE'S TIPS: SPOT SNEAKY TRICKS

- ▶ Underquoting
- ▶ Being vague on price
- ▶ Multiple offers
- ▶ Rental guides
- ▶ Pre-auction offers



While there is legislation around multiple offers in Australia, it can still be difficult to determine whether any of the other offers are serious enough to pose a threat to your chances of buying a property.

Holdaway recommends investors not be scared by being in a multiple-offer situation because it may or may not be real. Maintain your composure and be prepared for the game.

"Always remember an agent wants competition but they're not generally going to sell it under your nose," he says.

"Don't go weak at the knees. Say, 'I may have some interest. Please keep me posted' because if that other interest actually is true they're generally going to come back to you because they want competition.

"My solution is not to panic when you hear that statement. Keep your posture, keep your poker face.

"If you're genuinely interested, make sure you declare that."

Within a few days, Holdaway says it will generally become apparent whether the other "offer" was real or not and the investor can either stay in or out of the game.

"They might ring you tomorrow and say 'just letting you know that other person has actually put an offer in, so if you're interested you'll need to put your offer in by 5pm today.' That's when you start to know it's true.

"[If] two days later they say 'are you still interested?', you kind of know they were bluffing in the first place." AP

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BRYCE HOLDAWAY