

OFF-MARKET OPPORTUNITIES

The lack of buyer competition for off-market properties means a potentially cheaper price and the creation of instant equity for investors. But to unearth these opportunities you'll need a good network, a strong understanding of the market and great negotiation skills.

VANESSA DE GROOT

Every investor dreams about buying a gem of a property before it officially hits the market.

If it's offered exclusively to you before it's advertised on one of the real estate portals – or even marketed to an agent's database – then chances are you can purchase it for a cheaper price.

There'll be no competition driving the price up, and consequently you'll be in the driver's seat when it comes to negotiating.

Off-market properties are particularly sought-after in hot markets, which is the current state of affairs in Sydney, for example, where buyers are out in droves, numerous contracts are being issued and multiple offers are being received.

Many buyers are turning up to auctions and frantic bidding is seeing properties sell for hundreds of thousands of dollars above reserve. In this type of climate, buying off-market will not only likely see you pay less for a property, but it'll ensure you don't keep missing out.

How often do properties actually change hands off-market, though? According to the experts, it's more common than you might think, with some even suggesting as many as 20 per cent of transactions are handled this way.

So, we know there are properties out there being snapped up by buyers before they hit the market, but how do you get a look in?



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HYLTON JOHN

■ FINDING OPPORTUNITIES

There are generally three different ways that properties change hands: off-market, advanced or pre-market listings and on-market transactions.

An off-market transaction is one that occurs when the property hasn’t been, and likely won’t be, advertised in any way, shape or form. An advanced or pre-market listing might be one that’s been offered to a few buyers, perhaps those on an agent’s database, and photos have been taken in preparation of it hitting the market. Then there are those that are being actively marketed and advertised, and are effectively “on the market”.

According to the experts, off-market and pre-market opportunities can provide benefits for buyers, and usually they’re offered to those that real estate agents know can complete the transaction quickly and easily.

Often that means they’re offered to buyers’ agents, which Hylton John of LJ Hooker Sydney Buyers Agency says is because they have qualified buyers (who have often paid an upfront fee to use their service) who will make a quick decision and therefore it’s more of a “sure thing”.

Since they’re constantly in the market, buyers’ agents also have strong established relationships with real estate agents, so they’re in the loop when properties become available off-market.

Buyers’ agent Bryce Holdaway of Empower Wealth says the biggest challenge for investors looking to buy off-market properties – without the help of a buyers’ agent – will be actually finding the opportunities.

The primary course of action will be to make yourself and your requirements known to real estate agents who have a presence in the area you want to buy in, and keep in regular touch with them so you’re front of mind.

“It’s basically about making the invisible visible,” Holdaway says.

“Everyone wants to buy off-market, but getting in the loop is the challenge.”

TRANSACTION TYPES

Off-market – A transaction that occurs when a property hasn’t been – and likely won’t be – advertised in any way, shape or form. The vendor doesn’t want to put the property on the market, but will sell if a buyer comes along at the right price.

Pre-market/advanced listing – This is usually one where the agent has been given the listing but the property hasn’t yet been advertised. During the time prior to advertising – usually around two weeks – where photographs are taken and the marketing materials are prepared, the real estate agent may give a few buyers, perhaps those on their database or buyers’ agents, a chance to get in first.

On the market – The property is being actively marketed and advertised to the general public, including on real estate portals, in emails to the agent’s database and in print media.

John also emphasises that the relationship with selling agents is very important for the “average Joe” investor who wants to find off-market opportunities.

“It’s hard for someone in the general public to do it because it takes time to cultivate a relationship with real estate agents,” he says.

John adds, however, that it’s easier to do if you’ve just sold a property through a particular agent – that agent will then know you’re a sure buyer, so they’ll work with you to find something to purchase.

Holdaway agrees, saying that investors looking to find off-market properties without the help of a buyers’ agent will need to demonstrate to the selling agent that they’re a qualified buyer who’s ready to act and will make the transaction an easy one.

“Be prepared for it – not only logistically but mentally,” he says.

“That means you have finance approved, a professional team on

standby and you’re in the right head space to make a quick decision.

“You’re being offered a VIP opportunity, so don’t respond like an amateur – don’t go ‘Buyer 101’ and stuff them around. You’ll be quickly forgotten by an agent if you’re not in a position to move. Agents have only got time to sell and if you waste their time they won’t deal with you.”

Eliza Owen, market analyst at Onthefloor.com.au, says there are other less conventional ways of finding off-market properties, such as using your social media network, handing out flyers on a particular street or even door knocking to see if anyone in your desired area wants to sell their home, or if they know someone who’s selling.

She points out that some vendors don’t want to pay fees to a selling agent, so you might get lucky and find someone willing to sell directly to you.

■ OFF-MARKET BENEFITS

Many an investor is out there searching for that elusive off-market purchase, but why?

Undoubtedly the number one benefit of buying an off-market property is the lack of buyer competition. With no other buyers to compete with, you’ll likely have the upper hand in the negotiation process, putting a lid on the price and potentially allowing for better contract conditions.

Holdaway says the fact that there’s no competition means you might be able to get the property for less than if it was on the market. Good properties attract numerous buyers, he says, and auctions are often good evidence of competition driving up the price, with multiple bidders seeing properties sold for greater than the reserve price.

This is especially the case in a hot or rising market – a sellers’ market – where there are plenty of buyers around. In Sydney, for example, properties are selling for hundreds of thousands of dollars over the reserve, so if you

INVESTOR SNAPSHOT

Off market first-timer reaps dividends

After identifying an area of Brisbane he wanted to buy a property in, George* diligently checked the real estate portals every day to be on top of the homes coming onto the market.

It was by chance that a friend who was looking to buy in the same area told him that most homes were selling off-market and never even reaching realestate.com.au.

He then took it upon himself to contact the agents in the area to get in the loop. "At first, the agent we ended up buying a property through played down the fact that properties were selling without being advertised, and tried to make it sound like it was just a handful where this had happened," George says.

"I asked her to put me on her database and to let me know if anything came up, and she never did! "I kept persisting though and as soon as she found out we had finance approval and were keen and ready to go, her attitude changed."

George recalls that not long afterwards, the agent contacted him about a house in the area that met his requirements – the owners were considering selling but hadn't officially listed or put it on the market yet.

As soon as George and his wife saw it they loved it and made an offer, and after some negotiating the purchase was made. "Everything went quite smoothly and moved quickly, but we did have a few moments where we wondered if we'd paid too much, despite having done all the research," George says.

"The agent told us they wanted between \$850,000 and \$870,000 but after we made an offer it was increased to \$890,000. "They threatened that they'd take the property to the market if we didn't meet their price, and while we paid more than what we'd said we would to avoid that, we still stuck to our budget and paid \$875,000. "The benefit was that we avoided a bidding war and in a situation where it was a

Name: George*
Lives: Sinnamon Park, Brisbane
Invests: Brisbane
Properties: 3

hot market, we avoided getting priced out or missing out."

The only other worry they had, George says, was whether the seller would pull out since it wasn't officially on the market, but that never eventuated and the purchase of the four-bedroom house in Sinnamon Park, in Brisbane's south, settled quickly.

While George has investment properties, this house was for him to occupy, and the purchase was subject to the sale of the home he was living in.

"The added benefit of buying off-market was that since there was no urgency for the vendor to sell, and no other buyers knocking at their door, we were able to have the sunset clause removed.

"This meant we had time to sell our house without the threat of another buyer swooping in and having our contract fall over."

He adds that the agent he bought through also sold his house in the same suburb off-market, within a week.

"It was a strong market at the time, and although we weren't desperate to sell we achieved the price we wanted and we were happy with that.

"We potentially could've got more if we took it to the market, but at the end of the day the hassle and uncertainty just weren't worth it."

While George had never bought or sold off-market before, he says he'll definitely seek to again in the future, with one of the main benefits being the ease of the transaction.

* Name changed to protect privacy



can secure one before it goes on the market there you'll likely have made instant equity.

Holdaway points out, however, that while you may be able to buy a property for a cheaper price than if there was more buyer competition, he says you won't necessarily get a "bargain", and you're not guaranteed to make a profit. If it's a good, investment-grade property, investors still need to be prepared to pay fair market value.

Owen notes that you'll only achieve a reasonable price for the value of the property if you know what that value is.

She says off-market properties aren't always bought for a bargain or a cheaper price than if they were on the market.

"On-market properties could be better for determining value because there's a wider range of buyers determining the price," she says.

"Off-market properties can be advantageous if you're a skilled negotiator and have a solid knowledge of what the property is worth."

So, how do you know what the fair market value for an off-market property is, since there aren't any other buyers to help you gauge it? The key is doing thorough research.

Holdaway says this should involve getting to know the area really well by pounding the pavement.

Learn what the good side and bad side of the suburb is, he says, and know what homes are worth, which involves looking at what properties have sold for, rather than what they're listed for.

Holdaway adds this is also where buyers will benefit from using a buyers' agent, as they're experts in knowing what properties are worth.

He uses the analogy of cows at the Royal Show – when they're paraded around in the middle of the paddock, to the untrained eye it may look like just a bunch of brown cows, but farmers, who are looking at cows all day long, know the subtle differences and can spot which ones are the best.

"They can see the things that we just can't see," he says.

"And that's the challenge a property investor has, to be frank. If they're not doing it all day every day it's difficult to know what the best properties are, and what they're worth."

Ultimately, to get a good deal Holdaway says you'll need to put in some hard work, have a good network

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FRANK MAZZOTTA

and understanding of the property market, and strong negotiation skills.

In addition to the potential of buying a property under market value, John says buying off-market is a good way to avoid missing out on property, especially in a city like Sydney, where buyers are out in droves.

“It's crazy in Sydney now – there can be a line-up with about 80 people to look at a property, 20 contracts can be issued in the first week and there are multiple offers,” he says. “People are over the whole scenario.”

■ POTENTIAL DRAWBACKS

While the lure of buying off-market is the potential to pay less than the market value, on the flipside the danger is that you'll pay too much. Good real estate agents will create urgency in the buyer; they may tell you the vendor wants a higher price or they'll take it to the market, and this may work effectively to push up the price, as you'll want to secure the property without competition.

Investors need to avoid succumbing to pressure in this instance – through your research you should determine what the fair market value is and avoid becoming emotional and paying too much. Stick to your guns and your budget.

Another potential problem investors might run into when looking to buy off-market properties is vendors that might not be 100 per cent serious about selling. Owen points out that off-market properties are sometimes used to “test the market”.

“This makes sense for a seller, because properties that go straight on to the market could be slightly off in price, and stay on market for a while, which looks bad for the seller,” she says.

“So, that's good for the seller, but for the buyer it could mean the seller participating in the deal isn't serious about selling.”

To avoid this, it's crucial to understand the motivation of the seller when you enter into negotiations, and determine if they're actually committed to the sale. Be aware the vendor might also drag the transaction out – since they haven't committed to any advertising or auction campaign, they have nothing to lose and no urgency.

■ THE SELLER'S PERSPECTIVE

As a buyer, you might be wondering why on earth a vendor would sell their property off-market when, chances are, they could get a higher price if they took it to the market with more buyer competition.

There are a few benefits to sellers, however, one of which is that they'll save on marketing costs. If auction was the

TOP TIPS FOR BUYING OFF-MARKET

- **Identify what you're looking for.** Narrow down the area you want to buy in and the type of property you're looking for.
- **Get to know the real estate agents.** Forming a network in your chosen area will be crucial in being offered off-market opportunities. Let the agents know your requirements and keep in regular contact so you're front of mind.
- **Be a qualified buyer.** Be ready to act, both mentally and logistically. Have your finance approved and be in a mindset to pounce on a good opportunity. Importantly, demonstrate this readiness to the real estate agents.
- **Think out of the box.** Consider less conventional ways of finding off-market opportunities. Use your social media network, do a letterbox drop or even door-knock houses in your chosen area to unearth opportunities.
- **Do thorough research.** Understand the property market in your chosen area very well so you can identify a good property and determine a fair market price.
- **Set your budget.** Work out how much you're willing to pay and don't go over it. Don't fall for an agent telling you that you'll miss out and end up overpaying.
- **Seek help from the experts.** Buyers' agents are in the know and in the loop, so if you're prepared to pay their fees, seek their help to unearth off-market opportunities.
- **Be prepared for some hard work.** If you go it alone, be prepared to pound the pavement and put in the hard yards.



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BRYCE HOLDAWAY

preferred selling method they could potentially save thousands – if not tens of thousands – of dollars, so often they'll be prepared to accept a slightly lower price knowing they've made this saving.

Another benefit is the transaction is completed quickly and smoothly for the seller.

Frank Mazzotta, PRDnationwide Ramsgate principal, says they know they'll get genuine buyers who are cashed up and ready to go.

He says from the perspective of a real estate agent, it's easier to sell a property off-market, but he'd rather put it on the market to maximise results.

“That's the way you can guarantee you're getting the best possible price,” he says.

“But some vendors don't want all the trouble of opening up their house and getting it ready, and they don't want people trampling through their home.”

Many sellers also want privacy – they don't want a sign outside their home and they don't want their neighbours

to be stickybeaking, or perhaps they're going through a divorce and they need a quick sale.

Another reason might be that an investor has a tenant who's making it difficult to bring people through, so selling it off-market is the easy solution.

If you have a property and you want to sell it off-market, the best way to go about it is to contact real estate agents. They should have a database of buyers they can tap into and may be able to facilitate a transaction that way.

The other option, Holdaway says, is to try and tap into a network of buyers yourself, perhaps by contacting buyers' agents or even accountants and financial planners – or maybe even using social media.

If you're a vendor looking to sell off-market, John says, make sure you do your research and get at least three appraisals for your property from local agents so you know the value of your home and you don't sell it for less than what it's worth. **am**