Sales Methods

There are a number of different sales methods used by sellers and sellers agents when listing a property. There are a few determining factors as to why a particular method has been used.

Location: If the property is in an area where auctions are uncommon, the agents are not likely to suggest this as an option to the sellers. However if it’s the ‘Norm’ for the area, it’s usually the go to method for agents.

Market: Depending on where we are in the property cycle, agents will select the best method to suit the current conditions. Eg. In a down market less auctions will be used.

The property itself: The actual property for sale will have an impact as it might suit one sales method over another.

So let's have a deeper look into the main methods you will see in the market place.

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Private Treaty/Sale

The property is either advertised with a range, of no more than 10% in VIC, or a set amount. This might also be advertised “Sale by negotiation” as its a negotiation between the seller and the buyer.

Pros
- Buyers can see what the seller is wanting for the home, especially if it’s a set amount. Eg $640,000 instead of a range, $600,000 - $660,000

Cons
- It’s not a transparent process. Buyers have to assume the agent is being honest with them. And while most are, it can be very un-nerving when you literally have no idea if there is actually another interested buyer.
- You need to have specific Property Negotiating skills as its different to other forms. Because processes can change from agency to agency its even harder.

Expression of Interest or EOI

This sales method is usually reserved for property where the agent is struggling to price it, and doesn’t know what the market would pay for it.
They are usually unique with not many comparable properties, such as an architectural home with crazy features and angles, or a property on a large block in amongst suburbia.

The risk for the agent is, someone might fall in love with the property and pay 10, 20, 30% more just because they want it so much.

Pros
- You could possibly get the property for less than you feel its worth.
- Its more of a discussion, and possibly less interest

Cons
- Very hard to price or establish a figure
- You risk over paying if you don’t do your homework

Auction

Public, Private or Boardroom auction all follow the rule of, if you bought under the “Fall of the Hammer” it’s yours. No cooling off, no finance clauses, or not subject to’s (unless agreed to by the seller prior).

Talking about public auctions, these are the ones you might have seen with an auctioneer and people gathered at the front of the property. The auctioneer, run the auction and anyone who turns up can bid (VIC specific), and if the property isn’t passed in, and you have the highest bid, you WIN. Pretty simple to follow.

These are used in areas’s closer to the City, or if a particular property is going to have a large amount of interest. It will be the preferred method of agents when the market is strong, but they might opt for something else when the market slows down.

Pros
- Transparent. You can see your competition, you know who you are bidding again.
- You can prepare and put on a show to gentle throw other bidders off their game. Not by anything untoward, by a simple odd number or a rapid fire bid might intimidate them enough to stop bidding.

Cons
- Its extremely intimidating, and can cause a huge amount of anxiety
- You risk over paying if you don’t have a plan in place
- Knowledge is hard to come by unless you actually attend other auctions to see how its done

Bonus

Off markets

What are off markets?

These are properties which are not listed on any of the real estate listing sites. You might find them on some of the direct agency websites, but they can be hard to find. Why would this be used?

Agents go for these in a slow market in order to get a listing they might not have been able to get otherwise. It's sort of a no win, no fee scenario, if the agent can't get a buyer, there is no cost to the seller. This might happen in a down turn when agents need to work their data base a bit more.

Pros
- There can be little to no competition, especially if you have built a good relationship with the agent
- If you are a good negotiator, you could get the property for less than it's worth

Cons
- Harder to establish a price as it's not market tested
- No transparency
- Hard to find, you need to get on the agents "Hot buyer List" which takes time
- Not all off markets are good properties, due diligence is required