

# 1. Consumer Advocacy / Devil's Advocate Perspectives on the Sale of Property

## Irony and misinformation in estate agency sales

Estate agents require vendor clients to pay ALL ADVERTISING COSTS for auctions and sales by Offers / Price Negotiation / Expressions of Interest, including the high cost of full page advertisements costing over \$20,000 which promote estate agencies' business for free.



BUT, agents' favoured sale methods **DISADVANTAGE sellers and favour buyers & agents**. Having been talked into using a flawed sale method, and financed all the advertising promotion, vendors miss out on \$10K, \$25K, \$50K, \$100K, \$250K, even \$1m in EXTRA investment capital because neither auction nor 'price negotiations' guarantee 'top price'.



**NO LOSS-AVERSE** property seller should end up a **LOSER / DUMMY/ SUCKER**. Estate agents can easily be trumped once vendors know how property should best be offered for sale for maximum profit.

The **REALITY** of the property market is that **HYPE, SPIN, MISINFORMATION, UNJUSTIFIED CLAIMS** and **MANIPULATION** by commission-driven persons 'convince' vendors to use a sale method that agents know will allow them to sell quickly for their benefit, but **NOT** for a vendor's maximum benefit. An agent's or salesperson's main objective is to 'clear' every listing quickly so their very high commission is secured.

**JUSTIFICATION** of the above claims is included in an e-publication available for immediate download. This PDF Document details the real estate industry's dubious practices and summarises results of tens of thousands of property sales across Australia from 1985 to 2015. It is a 'must-read' for owners of



residential, rural, commercial, hotel & leisure and special purpose property. When the time comes to sell, property owners need to be forewarned on potential pitfalls, traps and 'rorts'.

Property owners / vendors should look upon the \$45 cost of the e-publication as an inexpensive 'insurance policy' against being **SHORTSOLD / SHORT-CHANGED** in the sale of property.

Added bonuses of not using a flawed sale method 'pushed' by the real estate industry are: **NO SALE COMMISSION** and **NO INDIRECT PROPERTY WEALTH TAX**. Vendors **'BEAT' the 'TAX MAN'** legitimately and legally not possible by any other way.

*See next page for justification of some of the above claims.*



This flyer is distributed in the public interest by the **Consumer Advisory & Advocacy Australia Group**.

Recipients of this flyer can advise relatives, friends and business colleagues that they can download the 2 pages relating to property from the **propertileaks** website

## Property Auctions: *POINT, COUNTERPOINT*

The West Australian YOUR MONEY Monday June 1, 2015:  
**ON THE PLATFORM** The jury isn't out: auctions are in

**NOTE:** Only part of Blake Garvey's article is included here in accord with fair dealing; the photo is not the one used by *The West Australian*, but a 'celebrity pic' posted when Blake Garvey featured in the 2014 television series *The Bachelor*.



Blake Garvey, Property Auctioneer

The number of auctions performed in WA is steadily increasing each year. Statistically, homes taken to market using the auction method are sold in almost half the time when compared with standard private treaty. According to the Real Estate Institute of WA, in 2014 auctions sold homes at an average rate of 35 days versus 59 for private treaty. However, skepticism still exists over our fastest growing method of sale. Why are West Australians hesitant of the auction method? The answer lies in education. We simply do not know about what we have not been taught. "We don't auction over here" or "Auction doesn't work in WA" is the old-fashioned, outdated consensus in real estate offices. Elite Auctions is now not only actively calling auctions in Perth but also training local agents on how best to use the selling strategy to its full potential. The net result is more options for the homeowner, fewer days on the market, and home opens and transparent purchasing for buyers.

The West Australian newspaper agreed to publish the following **Counterview** article in response to claims by Blake Garvey, then **reneged**, edited the **Counterview** article severely by omitting key points, and relegated it to the *Letters to the Editor* page. Perhaps the Business Editors of *The West Australian* did not want to upset the real estate industry by giving prominence to damaging information on auctions.

Draft as originally prepared by the *Property Advocacy Group* for submission to *The West Australian* for publication in the YOUR MONEY weekly feature on Monday June 29, 2015:

**Counterview: Auctions favour buyers and agents, not vendors**



Nicholas Negroponte, MIT Media Lab  
Founding Chairman in 1995 foreshadowed a property sale method that does not require participation of real estate sales personnel.

Such a method - **Buyer's Highest Offer** - was introduced in 2010 and has been described as the '**ultimate professional property sale method from a vendor's perspective**'.

Recently on this page, in a report headlined 'The jury isn't out: auctions are in', auctioneer Blake Garvey asked why WA was not "sold" on auctions. Perhaps many WA property owners know that auctions disadvantage sellers and favour buyers who know how the auction game is played?

In 1986, Lord Alistair McAlpine acquired at auction Transport House in Sydney's CBD for \$69 million. His post-auction comment — "I expected the successful bidder would have spent the greater part of \$100 million to secure it" — indicated he was anticipating having to pay much more to preserve spectacular views from his adjoining Intercontinental Hotel. But because Lord McAlpine did not need to bid beyond \$69 million, the vendor missed out on \$1m, or \$11m, or \$21m or \$31m in extra investment capital, highlighting the major flaw of auction for vendors.

The Transport House sale and results of tens of thousands of other property auctions conducted across Australia since 1985 — referred to in an e-publication available at [www.propertileaks.com.au](http://www.propertileaks.com.au) — confirms that auction neither requires nor compels buyers to declare their price limits. As a consequence, the majority of auctioned properties are most likely undersold by large amounts of money. Agents trumpet: "Auction for best price" and "80 per cent clearance rates" but undermine their credibility by admitting: "70 per cent of our cleared properties sell prior to auction".

Sales prior to auction are preferred by agents because their commission is secured before a vendor can switch agencies if the auction fails. Prior-to-auction sales are akin to an AFL team being declared the winner if ahead at three-quarter time, or a golfer named winner before all players have completed their final round. Sales prior to auction exclude prospective buyers who may have been prepared to pay more than the sale price. Negotiations conducted before auction or after an auctioned property is passed in invariably result in a sale price below the reserve because a negotiated price, by definition, is a compromised price, especially if the same negotiator is dealing with seller and buyers.

An astute professional property sale system developed 15 years ago entails subcontracting each key step of the sale to true professionals remunerated on an hourly basis, not as a percentage of the property's sale price. Agents promote auctions/negotiated sales because they stand to earn huge commissions calculated as a percentage of the sale price. With auctions, estate agency profits are maximised because agents require vendors to pay all costs.

Astute vendors can use the subcontract sale method and guarantee achieving maximum sale price for zero commission — benefits unequalled by any other sale method. Furthermore, 10% of zero commission = \$0 GST. In the current uncertain economic climate, property investors need to think outside the box to protect and maximise investment capital.

**Additional comments on Blake Garvey's article not included in the Counterview article because of The West Australian's imposed word limit.**

The wording of Blake Garvey's article reveals much of his motivation in recommending auctions to readers of *The West Australian*. The purported 'benefits' of auction being **SPRUKED** do not extend to property vendors, but reflect the financial benefits enjoyed by auctioning and listing agents:

**Average time taken for a property to be sold: 35 as opposed to 59 days.** For agents, 'time is money', therefore the faster an agency 'clears' a property and earns its high commission, the better. Why would any property vendor prefer to dispose of their property quickly if maximum price cannot be guaranteed?

**'Fastest growing method of sale' (?)**. In WA only 1662 homes were sold by auction in 2014, up from 1404 in 2013 and 1330 in 2012. **These figures represent 1.4%, 1.6% and 2.0% of all homes sold in WA, a miniscule proportion.** Of course estate agencies want to conduct more auctions - so they can boost their profits, but for vendors, because auction does not guarantee 'top price', it should not be used.

**The take-home message for real estate consumers:**

Before signing a contract to sell your property or business, take out a \$45 'insurance policy' to avoid being **SHORTSOLD** and being hit with a 'double whammy' - a huge sale commission and **WEALTH LEVY / TAX**.

Details of the **PDF** that can be downloaded immediately at:

**[www.propertileaks.com.au](http://www.propertileaks.com.au)**