



PROPERTYBUYER

EBOOK



7 TIPS FOR SELECTING YOUR BUYERS' AGENT

*Australia's Most Awarded
Buyers' Agents*

WWW.PROPERTYBUYER.COM.AU

CONTENTS



03 Industry Experience

05 Market Coverage

07 Results Oriented

10 Network & Contacts

11 Research System

13 Credentials

15 Cost



Buying a home or investment property is usually the most expensive purchase you will make in your lifetime. In fact, most of us will only buy 3 or 4 properties during the course of our life so we don't usually get the chance to develop and practice the essential skills of research, negotiating with real estate agents and appraising property values in the current market.

We all know that TIME is the most valuable resource we have. And buying the right property at the right price takes a lot of research time. If you are seeking a new home would you rather spend your precious weekends scouring the internet, compiling a shortlist then dragging the family out rushing from one inspection to another...then get outbid again at auction?

Or perhaps you are a property investor deciding where to invest your precious equity. How do select the best area from over 15,000 suburbs Australia wide and then narrow down your selection from the 350,000 properties that are on the market annually?

The key to success with property buying is choosing the right advisory team around you, having professional advisors that are on your side with your best interests at heart.



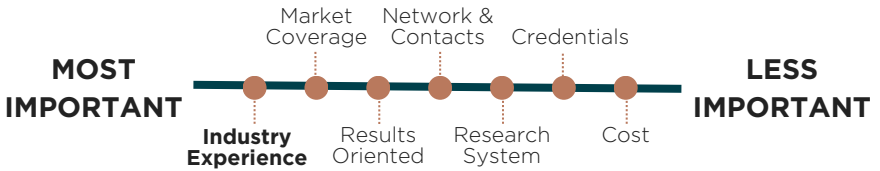
A good mortgage broker will ensure you structure the funding correctly, the best accountant will keep your tax liability legally low and a good solicitor will protect your assets. But all the advisors in the world will be meaningless if you overpay for a property and for the wrong property. It's that simple.

A buyers' agent and their real estate advisory team can help you identify the ideal location and property for your personal situation without the need for you to spend your weekends at property seminars or thousands of dollars becoming a DIY investor (those that rarely make money).

The buyers' agent will ensure you find the most suitable property after crafting an appropriate strategy and vitally make sure you don't pay too much (they know their market well and understand value and pricing). All the advisors in the world will be meaningless if you overpay for a property and for the wrong property. It's that simple. A great buyers' agent is your acquisition coach and mentor and will make you money at the time of purchase so that you are not left entirely to the vagaries of the market to build equity in your portfolio.

So how do you pick a great buyers' agent from an average one? Below are seven decision criteria you can use to select a top buyers' agent (also called a buyers' advocate). These are listed in the order of importance (from most important to less important).

INDUSTRY EXPERIENCE



Look at a website for just about any business and you will see claims like the “most experienced” or “longest serving” etc. How can you assess if the claims are true? What kind of real experience have they had? Look for a buyers’ agent that has been working in the real estate industry for over 10 years. Property cycles generally run 7 to 10 years and it is wise to get advice from someone that has seen both the ups and downs of the market.

Ask if the buyers’ agent is totally “independent”. Does the buyers’ agent act “exclusively” for buyers or do they practice dual agency and also sell property?

Propertybuyer never sells property or accepts sales commission from vendors, developers or their agents. We work exclusively in our clients’ best interest to find a property that meets their needs.

Another good starting point is to look at the background and education qualifications of the Principal. Look at whether the Principal is quoted in the media as a recognised commentator on the property market. Look for independent verification of ethics and expertise (meaningful awards, strong testimonials and case studies).

INDUSTRY EXPERIENCE

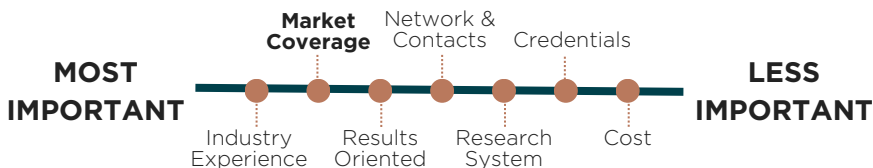


Ask the buyers' agent about what types of properties they have bought for their clients. Have they focused on a particular price point in the market? Do they service both residential and commercial buyers? Do they have a team of experts (not just a sole operator) that can assist with your search?

It's important to select a company with relevant industry experience and is not just starting out.

Unfortunately, the real estate industry has a tarnished image, so it's critical to select a buyers' agent with the highest integrity and ethics. Ask if they follow the Best Practice Guidelines set out by both the Real Estate Institute and the Real Estate Buyers' Agent Association.

MARKET COVERAGE



A top buyers' agent needs to have expert knowledge of their local markets. Each capital city around Australia will be at a different stage of the property cycle and within each city there are multiple property markets. Whether you are buying a property locally or inter-state, it makes good sense to use an expert that knows the local market.

Good buyers' agents will require different skills for home buyers and investors. At propertybuyer, we have a team of specialists that cover different areas. For example, our inner west specialist advocate knows which streets the best and which ones are to avoid, where the housing commission is located, and which areas are being gentrified. Our prestige buyers' agent knows how and where to find off market properties at the top end from \$3m to \$30m. Our commercial specialist understands what drives commercial property values and how-to de-risk the investment. .

MARKET COVERAGE



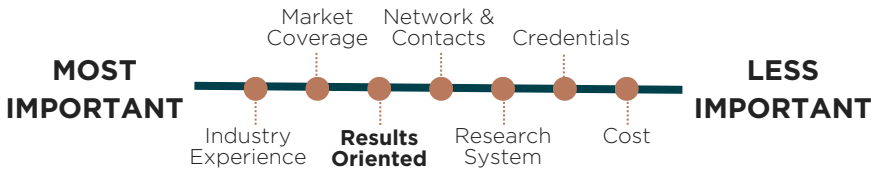
Our investment specialist uses the latest research data to shortlist suburbs showing a strong imbalance in supply to demand to pinpoint the next hot spots. They then “ground truth” the area by completing extensive due diligence, verifying facts and speaking with agents and valuers. They help investors seeking to invest across a wide price range (typically from \$200k to \$700k).

Ask the buyers’ agent what criteria they use to assess a good investment property? Ask them how they monitor the market. What criteria do they consider when undertaking statistical and fundamental research?

Select a buyers’ agent that has an in house “Research Analyst” – someone dedicated to working alongside the buyers’ agents compiling research data, short listing properties and assessing values.



RESULTS ORIENTED



What will I get for my money when engaging a buyers' agent? This is the question on everyone's mind. What is a "good result"? Is it how much time they saved the client? Is it how much money they negotiated off the sale price or the fact that they got the client to walk away from an emotional bidding war?

Sure, a top buyers' agent should save you money in a deal, but that is not the major focus. If you are looking for a bargain property, there are plenty available on the major arterial roads suffering from constant road noise. Even more important is finding the RIGHT property that meets your individual needs. I'd rather pay fair market value for a "hard to find" property (that everyone else wants) than pay under market value for a dud property.

Review the testimonials on the website and see what value the buyers' agent added to the transaction. We have received hundreds of testimonials for our happy clients. Our clients often comment on the way we gave them confidence with their decision making, or the way we were able to shortlist properties so quickly to only spend time assessing the right ones.

RESULTS ORIENTED



Other clients loved the way we were able to negotiate a great price and save money. Some commented on how they didn't have to deal with real estate agents and spend every weekend looking at properties.

The three key areas where a buyers' advocate really adds value is:

1. Time saving - knowing where to look and short-listing suitable properties.
2. The appraisal stage - knowing how much to pay and providing the latest market knowledge and research.
3. Sealing the deal - i.e. negotiating and exchanging. A good buyers' agent will have the ability to negotiate in a firm but friendly manner, and once the offer is accepted, to move with lightning speed to ensure the property is exchanged. Hot properties are in demand and a buyers' agent will have the street smarts to get you to the front of the queue.

RESULTS ORIENTED

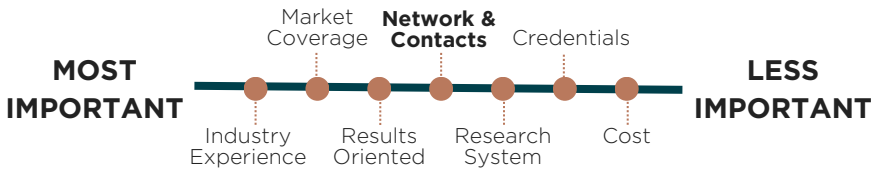


A buyer's agent can be very good at securing a good deal and a good deal does not necessarily mean you pay less in terms of the price.

Example: A buyers' agent saved a client from paying too much for a property and reduced their holding costs associated with a subsequent renovation, yet they still paid a fair price for the property. This was an 'appraise and negotiate' service. The client came to the agent all excited that a great property they wanted to renovate was passed in at auction.

The last bid was \$715,000. The margin for the renovation was quite tight on a price of say \$740,000 which the client wanted to offer. The BA did some research to appraise the true value of the property and felt it was worth \$690k to \$710k - no more. After some digging around the BA discovered the final bid before passing in, was a 'vendor bid' which was misleading. The market bid was actually \$665,000. Eventually an offer of \$700k was accepted on a 3 months settlement instead of the standard 42 days (in NSW). The client saved \$40k (less the BA's fees), able to do a quick cosmetic renovation (using the BA's recommended consultants and tradespeople) and revalue the property to \$990k after the renovation and just before settlement. In effect the client had 'manufactured' their deposit and all because of a couple of little 'nuggets' introduced by the buyers' agent.

NETWORK & CONTACTS



They say your “network” determines your “net worth”. This is very true when it comes to buying property. A great buyers’ agent should have a widely established network of selling agents. This is essential to get access to properties before they hit the open market.

Selling agents like dealing with buyers’ agents because they present a qualified buyer ready to transact if the property stacks up. The buyers’ agent treats the selling agent as the “supplier” of property. A buyers’ agent with established relationships is able to get their clients first access for the best deals.

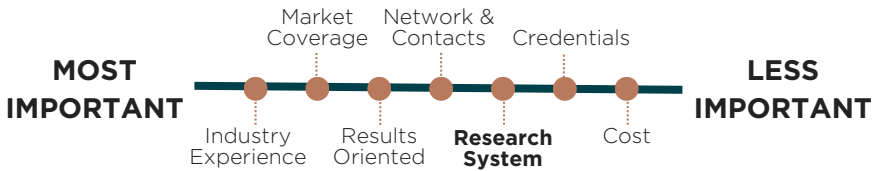
How do you ascertain if your potential buyers’ agent has a strong network?

Ask them who they know in the target area? Do they have senior level contacts in the estate agency networks that can make a referral?

At propertybuyer we maintain an extensive database of real estate agents. When a new client engages our services, we are able to contact every agent in the local area to alert them that we have a new buyer seeking to purchase in the local area.

When you engage a buyers’ agent you are also engaging their network of relationships they have. You want to choose a professional team that has a solid reputation and high integrity in the industry.

RESEARCH SYSTEM



Research is critical. Whether you are a home buyer or investor, you need to complete considerable research to find the right property.

How many flashy brochures have you seen from Developers and Project Marketers advertising off-plan investments in areas that seem like a great investment? Research is not just about 'where' to buy but also 'what' and 'why'.

What type of residential property asset is right for me and my target buyer or renter? Where is the best location for this type of asset and why is this, the best location?

How does this property fit with my goals and strategy to meet them? Is my strategy appropriate?

A good buyers' agent understands where to buy but also what type of property represents good value (90% of off-plan investment properties do not). If you are considering buying a new property or off-plan direct from the developer then research includes due diligence on the builder, substantiating the research they provide and doing a comparative market analysis in order to appraise the value of the property you want to buy.

RESEARCH SYSTEM



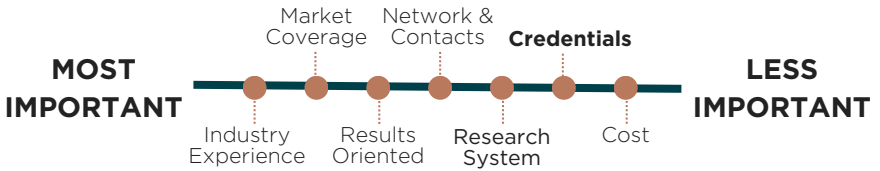
How many investors have the level of experience to value a property and then ascertain the right negotiation strategy? Most take the valuation the Developer provides or rely on the bank valuation. Valuations are subjective and serve the purpose of the instructing client. Make sure you have your own done and a buyer's agent does that as part of the service.

Research is not just about where to invest but how much to pay. Suburb and property due diligence is more art than science and requires a vast amount of time and experience to do properly.

At propertybuyer, we have access to all the latest data at our fingertips. We use the major data providers such as Australian Property Monitors, RP Data, Residex plus our own in-house research data. It's one thing to read data, but quite another to interpret it. A top buyers' agent will give you sound advice.



CREDENTIALS



Business is all about reputation. Companies with great reputations generally got them because they care about the client and the results. Reputation is everything and most will work even harder to preserve them.

Ask what credentials your buyers' agent holds.

What industry bodies do they belong to and is it credible?

What qualifications do they have?

How long have they been in business?

How many clients do they have?

How many transactions have they undertaken?

We've helped over 1,000 clients achieve their property goals. So, we understand buyer's needs extremely well after working with a large cross section of clients. The more property deals they have negotiated the more experience they have.

CREDENTIALS

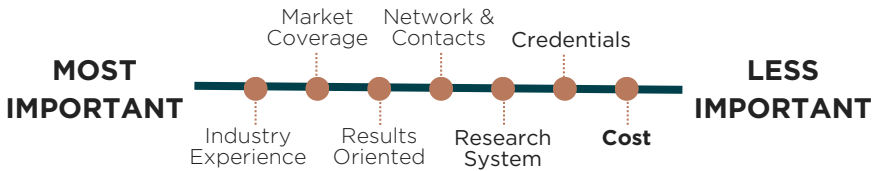


What meaningful local and international awards have they won? I don't mean what magazine has nominated one of their biggest advertisers 'advisor of the year' (these are good) but what international awards have they won or national business award. Have they won awards consistently over the years or did they have one or two good years?

Propertybuyer has won over 31 national and international business awards and maintains since commencing in 2001.

Are they respected media commentators? Are their opinions sort out by respected publications and national media? Most importantly...ask if they are they active investors themselves? How well has their portfolio performed? What do they think are the biggest challenges in the market today?

COST



Poor advice will cost you dearly. Good advice will save you money and make you money.

Your choice....

How do you measure your return on investment when engaging a buyers' agent? Sellers mostly accept they need a selling agent to sell their property and will have to pay them a 2% or 3% commission. Most buyers struggle to accept that a buyers' agent will cost around 1.5% to 2% until they have actually used one.

I think this is because most people think they can buy a property on their own and they are quite right. Most of us can if we have the time and effort.

Buying the right property, at the right price without the stress is another matter entirely. Would you represent yourself in court (or use a barrister)? Would fix your own car (or use a mechanic)? Repair your own computer (or use an IT specialist)?

Using the service of an accomplished buyers' agent is more about 'value' rather than cost.

COST



Sure, you need the cash to engage a buyers' agent but affordability aside the real question is what is the value proposition of a buyers' agent.

There are some very real direct financial benefits and many more indirect financial and non-financial benefits.

BA	You
\$600,000	\$630,000
\$30,000	\$0
\$1,350	\$0
\$165,769	\$62,448
\$10,000	\$0
\$187,119	\$62,448
\$124,670	

What's the value of unbiased, independent advice?

Let's say you buy a property on your own and pay \$630,000. How do you know you paid the right price? Buyers' agents are far more attuned to price and value, often doing pre-purchase appraisals.

Let's say our friendly buyers' agent secure the same property for \$600,000 paying \$30,000 less due to their knowledge of the market, lack of emotion and understanding the vendors motivation and negotiation process.

COST



Now let's say you buy the property in an area that outpaces the current market average and grows by 2% pa.

Our buyers' agent spends a lot of money on research and they review hundreds of properties in any given week. So, let's say their property grows by 5% pa. This is really conservative by the way.

If we factor in the above criteria plus the savings on stamp duty (on the lower purchase price), factor in the buyers' agents fee of \$10,000 ...Buyer A will be \$124,000 better off after 5 years than Buyer B.

I think \$124,000 is a good return on \$10,000. Not to mention how much you will learn and how easier \$124,000 makes adding more properties to your portfolio.

The extra profit does not factor in the saving on stress, countless weekends/weeknights spent trawling property portals, visiting auctions, talking to estate agents and time spent driving around.

You might also sleep better knowing you bought well and will not simply be sinking money into a black-hole.

Most properties cost more than they make. Ask the Australian Tax Office.

If you choose the right buyers' agent you'll get all the benefit of time, expertise and a great property for about \$10,000 or around 2% of the purchase price.

SUMMARY



It is important to select a professional buyers' agent with the right mix of these seven items. Someone you feel is confident, has strong negotiating skills, relevant experience, great communication skills and a positive attitude.

We'd love to help and assist you with you to create positive cashflow property. Please call us today on 1300 655 615 or tell us your enquiry / wishlist today. We'd be delighted to be on your team.



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Author

Rich Harvey is the founder of Propertybuyer, a buyers' agency in Sydney. He is an economist, property investor and media commentator with over 22 years of experience.

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