

## **Seller beware: Know the real value of your home**

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The practice of estate agents “buying” sole mandates – which last reared its ugly head before the 2009 recession – is becoming prevalent again and causing market distortion in many parts of the country as well as significant financial losses for property sellers.

So says Jan Davel, MD of the RealNet estate agency group, who explains that “buying” a mandate is the practice of deliberately inflating the estimated selling price of a property in order to get the home seller to award a sole mandate.

“This is happening again all over SA,” he says, “and what’s worse is that the biggest offenders are usually not inexperienced newcomers to the industry as one might expect, but well-seasoned agents in the employ of some of the biggest-name companies in the real estate industry.”

And property sellers should be under no illusion that agents who overvalue their properties in order to secure their sole mandate will cause them financial harm, says Rob Allan, principal of the RealNet franchise in Randburg, where the buying of mandates is currently rife.

“We believe the practice of securing mandates on this basis is thus tantamount to defrauding sellers. It is also causing sellers to lose confidence in agents in general and doing damage to the real estate industry as a whole.”

It is a long-established fact, he says, that potential buyers will quickly lose interest in a property which is overpriced, and that it will then languish in the market until the seller who was misguided by his agent’s original overvaluation decides either to withdraw it or to drop the price significantly – and quite possibly below what he would have sold it for had it been priced correctly in the first place.

“Properties that are correctly priced in our area will now sell within four to six weeks, but if a property with a bond of R800 000, say, lingers in the market for an extra six months because the asking price is too high, it will cost the seller almost R42 000 in additional bond repayments that could have been spent on transfer costs, or repaying the bond on a new property.

“There are also the additional rates, service costs and maintenance to consider – which could easily amount to another R20 000. Then if the house has gone “stale” and you have to drop your asking price by R50 000, say, in an attempt to renew buyer interest, your total loss could be R112 000, or about 14% of the existing bond.”

John Knight, co-principal of the RealNet franchise serving the coveted holiday home destinations of Pringle Bay, Betty’s Bay and Kleinmond, says the practice of buying mandates is rife in these areas at the moment as rogue agents seek to “tie up stock and close everyone else out of the market during our busiest time of the year.

“And it is of course human nature to want the highest price possible when selling your home, but just as buyers have become much more knowledgeable about the property market over the past few years, we think the time has come now for sellers to wise up to the dangers of this practice and take a much stronger and more informed stance when it comes to choosing an agent to work with.”

The main thing to keep in mind as a seller, he says “is that your estate agent’s actual role is to facilitate a sale at the best possible price in the shortest possible time, not to obtain a sole mandate from you.

“So if one agent’s estimate of the selling price of your home is considerably higher than that of other agents, why not just ask if he or she would personally buy your house at that price and see what reaction you get.”

Davel notes that estate agents are actually obliged by law to give sound advice based on facts, not hearsay or speculation. “Consequently you should be looking for an agent who is very accurately and realistically tuned in to current market conditions and especially to what buyers in your area want.

“It is important to remember that market value is not a fixed price but rather the value that the buyer will put on the property at the moment of purchase, and that accurate information that enables the correct pricing of your property closest to this value is paramount, since this is what creates the greatest initial interest and will lead to the quickest sale at the best possible price.

“The most effective agents are thus those who will use tools such as a Comparative Market Analysis - based on independent statistics - to accurately ‘read’ the current market in your area and give you informed advice on setting an asking price that is likely to draw a good response and result in a successful sale.”

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