



4 April 2008

THE DOMINO THEORY

“There’s many a slip ‘twixt cup and lip” - from an ancient Greek legend

G’day there,

The generally held view by many in our game was that there was a looming crisis in the “outer” suburbs (and mortgage areas of our major cities) but that the so-called more “affluent areas” would sail on through.

Take a look at today’s *Australian Financial Review*, page 25 and the article headed “Investors fret and fray at the margins” and if you had held that view, it may well change it.

To me, the salient points in it are:-

- there are \$37.8 BILLION in margin loans
- margin lending has increased by 425% in the last 7 years and
- about a fifth of personal loans are margin loans

So what does this have to do with real estate, and auctions in particular?

Most obviously, there will be an increasing number of people seeking to sell and need the money in a hurry and auctions are an obviously serious option there, even for those who are anti-auction.

However, just because it is an auction, and the vendor is motivated, does not mean it will necessarily sell.

And why not?

Because if the auction is run in a slipshod and casual manner, without attention to both vendor AND buyer servicing, you will most probably be accepting VPA, have a miffed vendor through not selling and them having forked out the money for marketing costs and no payment to you for your time expended.

Conversely, if the auction campaign is run properly, the vendor is kept in the loop at all times, is given accurate (and honest) market feedback and you treat buyers like gold (which they are and will continue to be), then success will come your way.

In what is a very frank statement, my belief is that any vendor listing today is serious about selling for they wish to either:-

- take advantage of the market and make an upgrade that is possible every decade or so
- downsize and have some funds over or
- clear debt, be it mortgage, margin call, personal loan or whatever.

Where we fall down, and all too often blame the intransigence of the vendor instead of our own failings to deliver, is that we simply don't do that - deliver.

Over recent weeks I have conducted many auctions where the agents have given accurate market feedback, the vendors reserve has been anywhere up to \$150,000 over that and yet, when bidding has seen an increase on that feedback figure, the reality has come home and they have met the market.

Now that may not have been on auction day or night (although far more than you would think have been) but invariably it is within a day or so of the auction.

With many agencies stock levels rising and the critical "days on market" times doing likewise, maybe it is time to re-visit the auction option.

Our one day *From Signup to Sale* courses dates and venues are available by clicking on the hyperlink. We are also conducting more "in house" sessions so if this is of interest, please contact us at academy@fountainandco.com and we can talk it through.

As I have said repeatedly, 2008 can be one of the biggest years you will ever have in real estate but to do that, you will need a solid and well run auction component in your business.

Have no fear, if economic conditions get tighter, and it will not be just interest rates that could cause that - look at industrial relations changes, more "hidden loans" coming home to roost etc- then the domino's will start to fall.

Just don't be amongst them yourself!

Carpe diem

Tony

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