

Rural and Regional Property Focus

Bringing you the latest news, facts and figures from the world of Australian real estate.

Four common myths of mortgagee sales

Mortgagee sales can represent a great opportunity for the right buyer, in the right market, at the right time. However, the word “mortgagee” on a real estate advertisement doesn’t always equal “fire sale”.

The commonly held view goes something like this: All mortgagee sales go for a song because the bank just wants to get rid of the property as soon as possible to cover the debt.

The main point of difference between a mortgagee sale and a normal real estate sale is simple: The sale of the property is under the control of a financial institution rather than the owner.

WHAT IS A MORTGAGEE SALE?

When a property owner stops making mortgage payments, the bank or lender has the power to take possession of that property, which involves a long legal process that can take six months or longer.

Such a circumstance can be the result of any number of factors, sometimes outside of the property owner’s control, for example, death in the family, sickness, unemployment or similar events.

No matter the circumstances, losing the family property represents a devastating time for the mortgagor, and it is important to keep this in mind.

Before buying, it is vital to evaluate some of the well-circulated myths about mortgagee sales.

MYTH #1: MORTGAGEE SALES ALWAYS REPRESENT A BARGAIN

The price of the property will be determined primarily by market forces rather than who is selling.

However, in a tighter market, with weaker buyer interest, some property specialists report mortgagee sales going for between 10 and 15% below market value.

In a stronger market, more buyer attention can push the price closer to the median. However, bidders at a mortgagee auction in a strong market often hold back expecting a lower price, so discounts can still be gained, particularly after the auction if the reserve is not met.

MYTH #2: THE BANK WANTS TO SELL IN A HURRY

Many people think that because banks and financial institutions are not real estate agents, their only interest is to sell the property as quickly as possible.

While in reality this is true, there are laws governing the behaviour of lenders to ensure that the best interests of the mortgagor are maintained.

A rushed sale, without evidence of an appropriate and effective marketing campaign, will give grounds for the mortgagor to seek compensation for an unsatisfactory result.

On many occasions, lenders will even avoid using the words “mortgagee sale” when marketing the property to avoid any perception of de-valuing the property in the marketplace.

Selling at a low price before auction can attract scrutiny of regulators, so it’s in the lender’s best interest to ensure all the boxes are ticked before and during the sale.

MYTH #3: THE LEVEL OF DEBT DETERMINES THE PRICE

The common myth goes something like this: Because the bank only wants to recover their debt, that will be the key factor in the price. So if the mortgagor owned \$150,000 on a \$450,000 house, all the bank wants is \$150,000.

However, although the mortgagors are no longer the owner of the house, they retain rights under law to ensure the house is sold for a reasonable price, and will receive the proceeds once the debt



and costs are paid. It is in their best interests, to monitor how the sale proceeds.

MYTH #4: THE BANK WILL ACCEPT ANY PRICE, AS LONG AS IT COVERS THE LOAN

By law, a lender must undertake a lengthy process before the sale, which includes setting the price through an independent, certified valuation.

So, as always, it is the responsibility of the prospective buyer to do their homework into the recent prices reached by similar properties sold in the local market.

There are several risks involved with buying at a mortgagee sale, for example, there is no guaranteed vacant possession, and the new owner may be liable for any outstanding rates, body corporate fees or other payments. Also, lenders are not required to supply building reports or disclose unapproved construction work.

So it’s important to take the time to do your own research and ask your Landmark Harcourts Sales Consultant about these risks. Check the sale and purchase agreement carefully before committing.

In the right market, a mortgagee sale can lead to bargains for buyers. However, a mortgagee sale is about buying from a non-emotive, straightforward vendor, offering a property that has gone through an informed, professional, independent pricing assessment.

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The market isn't always cold in winter



When hot chocolate is disappearing off the supermarket shelves, and families are rugging up and heading off to the ski fields for holidays, what about selling your home?

Tradition tells us winter is a difficult time to sell. However, while temperatures rise and fall, the reasons for people buying and selling properties continue – job changes, transfers, promotion, pregnancy, marriage and death in the family.

Rain, hail or snow, people are always buying and selling homes.

There are always people looking to buy, and some regional centres such as Adelaide Hills even report that the market during winter can be just as active as any other time of the year.

“We find that when the weather is mild and cold we always have more people at our open inspections than when its lovely weather,” said Kim Shorland of Harcourts Adelaide Hills.

“This is because more people spend time out and about pottering in their own gardens during autumn spring and autumn.”

It is true that nationally less homes sell in the winter, but this can create several advantages for the vendor.

With less properties on the market, buyers who need to move quickly are more likely to compromise on certain aspects of their preferred home.

They are more likely to be genuine buyers, and with less homes available for sale, they are therefore likely to pay more.

As always, presentation and pricing are the key to a quick sale, but what are the specific keys to presenting your property in the best light during the cooler months?

- If you have a fireplace, make sure it is stoked with firewood, has a clean chimney and is

crackling away at inspection time. Light it ahead of time, so the room is cosy. If you have air-conditioning, crank up the heat so the visitors can experience your home as a warm haven. Portable heaters can pre-heat a room, but should be packed away before the visitors arrive.

- Because all windows are typically shut for extended periods, sometimes in winter a home can get musty or left with residual cooking smells. Pick a time before inspection to open the windows and maybe turn on ceiling fans, and allow some fresh air in. Leave enough time to warm things up again before the open house.
- To create a warm feel, position winter essentials such as blankets, doonas, pillows and quilts tastefully and appropriate throughout your home.
- Choose your open homes to coincide with the best light and sun, for example, east-facing windows may attract a lot of light in the morning. Ensure all your windows are as clean as possible to allow maximum light.
- Bake a cake or brew coffee just before inspection, to give your home an even warmer feel.
- Your garden may be a little duller during winter, so consider adding winter pots of colour to brighten things up. Also, take the time to strip the moss off pathways and other garden surfaces such as pots and walls.
- If you have an outside fire pit, make sure it is either lit and giving off plenty of flame (if the weather allows).

With little in the way of the extreme winters in Australia (compared to other countries) chances are, you won't have to worry about shovelling snow and de-icing pathways in preparation.

To understand the best time to sell, look at market conditions rather than the weather report. As your Harcourts Sales Consultant will tell you, focus on the market and your ability to present your home to potential sellers, no matter where the mercury is sitting in the temperature gauge.

Market Facts

Property sales of rural properties between four and 40 hectares, 12 months ending February 2016

	No. sold	Median price	Change on median	Region with highest sales volume
New South Wales	8517	\$482,500	Up 4.9%	Capital region
Victoria	6850	\$325,376	Up 3.3%	Latrobe – Gippsland
Queensland	230	\$347,500	Down 4%	Cairns
South Australia	879	\$285,000	0.0%	South East
Western Australia	1599	\$390,000	Up 3.3%	Wheat Belt
Tasmania	1489	\$285,000	Up 9.6%	South East
Northern Territory	269	\$335,000	0.0%	N/A

Source: Benchmark 12th Edition