

The Tender Value of Your Home

The growing positivity of the Hawke's Bay real estate market has been well documented in our local press and general media in recent months. Statistics from numerous sources show evidence of our local average sale prices increasing. Over a 12-month period ending February 2016 the average sale price for Napier was \$352,995 up 7.1% from the previous year and an increase of 8.7% in Hastings with an average sale price of \$326,0921. More significantly there is also a lack of stock which is also a driver in increasing sale prices as buyers are experiencing competition from multiple offers and do not want to miss out on their purchase. Many Real Estate agents are now also reporting quicker selling times, with property's spending a much shorter time on the market.

In a word the local market is running hot and we have seen a growing trend in Vendors and Real Estate Agents selling their homes by Tender or Auction or by a certain deadline. In other words, they are going opting for a 'No Price Marketing' approach as they find the current market too hard to gauge in terms of achievable value.

What does the Tender process involve?

A tender is a way of marketing and selling property and encourages a competitive offer situation with the tenderers all being unaware of what the other is offering. The reason for choosing to sell a house by tender are many and diverse, however, the most common are;

- The real estate agent feels that there will be a number of people interested in the house and a tender is a good way to structure a multi offer situation.
- The vendor wants a strong marketing campaign with a set time frame. The house will be marketed intensively over the days/weeks leading up to the tender date.



- The property is unique and difficult to value – a tender lets the market decide the value.
- A house being sold by tender can give the illusion that there is strong interest in the property – this is a clever marketing technique that implies a multiple offer situation when in fact there is likely to be little interest in the property.

How does a Tender differ from an Auction?

A tender process is different from an auction because of two crucial points:

- The tender offer can include conditions (an auction bid is an unconditional offer).

Tender Process

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- When tendering you don't know what other potential buyers of the property (tenders) are offering, unlike an auction where bids are open and transparent.

This 'No Price Marketing' strategy puts the onus on the both the Vendor and Buyer to educate themselves with regard to the market. Consequently, our office has seen an increase in instructions to value properties for Sale Purposes so that the client can not only establish a value but also

understand the range the property sits in for that locality and property type. Furthermore, prudent buyers are doing the same. A valuation report has the latest sales that are comparable to the property that is being marketed and is the best way to accurately gauge a property's value. Furthermore, if you require mortgage security the stakeholder's/lending institutions are requiring a valuation, especially as many of the properties are selling well above their Rating valuation.

Therefore, when buying or selling a property there is always a concern that you may be offering too much and conversely, when selling, there is a concern that you could be underselling. The only way to eliminate the guesswork is to get a professional to value your property. Registered Valuers, are an independent third party who can value your property at the current market value. It would be prudent in the current climate to get a valuation report before buying or selling a property.

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