

Golden Gavel Moves Into a New Decade



Australia's premier Auction and Training competition, the Messenger Newspapers Adelaide Bank Golden Gavel Awards launches on Tuesday, 24th February at the Gil Langley Room in the Bradman Stand, Adelaide Oval with an industry cocktail party.

After a decade of nurturing, discovering and producing some of South Australia's premier auctioneers, the competition in 2004 moves into a exciting new decade.

The Golden Gavel's focus has always been to provide the state's Auctioneers with a blue ribbon training event and to arm them with skills that they will need in everyday situations. In line with recent updates to the best practice procedure and impending legislative changes, this year's competition will remain at the cutting edge of the Auction process.

The competition will continue to give the state's Auctioneers either novice, general, experienced, male or female, the best training vehicle to sharpen their skills to face today's very educated general public.

The Golden Gavel is now arguably recognised throughout Australia as the

by JARROD TAGNI MSAA

best Auctioneering competition in the country and will continue to provide "money can't buy" recognition and profile by your industry peers and the general public.

Golden Gavel winning Auctioneers have been sought exclusively over the 10

years to conduct some of the state's most high profile property, goods, chattels and charity Auctions. The opportunity to make comments for leading newspapers, to appear on national television programs and, most importantly, to compete for the coveted Australasian Auctioneering title are also just some of the tangible benefits that flow from competing in this high profile event.

The President, Trustee and Society Board are excited about the 2004 competition which will see "the stars come out" and culminate with an Industry exclusive Gala Black Tie event, and urge the state's Auctioneers and budding Auctioneers to enter. Nominations open Tuesday, 24th February 2004.

Auction Clearance Rates for 2003 Adelaide's Top 12 Suburbs

RANK	SUBURB	NO. OF AUCTIONS	NO. SOLD	CLEARANCE RATE	AUCTION MEDIAN PRICE
1	Campbelltown	17	17	100%	\$233,500
2	Clearview	20	19	95%	\$181,500
3	Para Hills	19	18	95%	\$164,000
4	St Morris	15	14	93%	342500
5	Ottoway	14	13	93%	\$182,500
6	Oaklands Park	13	12	92%	SNR
7	St Marys	25	23	92%	\$222,500
8	Marion	11	10	91%	SNR
9	Marden	11	10	91%	\$312,500
10	North Plympton	22	20	91%	\$320,000
11	Hampstead Gardens	11	10	91%	SNR
12	Richmond	11	10	91%	\$256,500

FROM THE PRESIDENT'S DESK

Speaking to a number of our colleagues in the industry, the New Year has begun with overwhelming positive signals, indicating that activity will remain strong, particularly as it relates to the established home market.

It's full steam ahead for the Messenger Newspapers Adelaide Bank

Golden Gavel 2004 Competition. The launch for what is now recognised as the leading industry event on the real estate, general and livestock calendar is scheduled for Tuesday, 24th February. Please diarise this most important date. The venue is an absolute beauty!

by PETER ECONOMOU MSAA
PRESIDENT



We look forward to working with members and sponsors in 2004, further strengthening our plans for a productive period in the coming year.

As from 1st January 2004, we have a new Email address, society@auctioneers.com.au replacing saa@senet.com.au

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Going, Going, Gone!

Tony Gurney, the Society's only South Eastern Asian Member, is the Country Manager in Jakarta for PT Henry Butcher in Indonesia, a major International Auction Company, demonstrates how an act of good faith saw his pride of joy, a 1944 Willys jeep disappear from sight in a few seconds.



Getting ready to cross the river to help a late model Jeep which was bogged. The ground was firm enough to walk on.



In 5 seconds it was all over ! I had unbuckled my harness and was climbing out when this pic was taken.



Note in this photo there is a guy STANDING on the ground next to my Jeep. I previously walked across the riverbed before trying to drive across it and it was firm. I hit the bog at 3,000 rpm in low range 1st and the dead stop snapped the front axle but I was still able to finish the trail and get home.



Using the front mounted electric 8,000 lb winch , 4 wheel drive, a dozen plus guys and 20 mins and my 1944 Willys Jeep was free again.

Auction Market Update

Our real estate markets have experienced an unprecedented buoyancy spanning over a period of some 3½ years, with consumers, both vendors and purchasers alike, under extreme pressure to keep pace with a constantly changing market and the price barometer seemingly out of control.

Society of Auctioneers and Appraisers President Peter Economou says, "clearly the Auction method of sale remains a vibrant, positive approach in the sales process and provides the perfect negotiation platform, with good results being achieved, be it in a somewhat more subdued, but sensible housing marketplace."

Leading Adelaide Auctioneers report that whilst buyers are vigilant, they remain most active in the established home market. However, in a changing climate, purchasers' approach to the buying process is one of cautious optimism, with Auctioneers indicating that a number of transactions are now being successfully concluded immediately after Auction.

Golden Gavel Winner, Corporate Auctioneer Rod Adcock says:

"The Auction method of sale is alive and well! An average success rate of nearly 70% during 2003 proved the value of auctioning Real Estate. The changes to the Auction system have been well accepted by consumers. My view is that during 2004 demand will continue to outstrip supply, creating the market buoyancy to confidently use the Auction method of sale to establish the best price for property."

The important point to be borne in

mind in assessing this scenario is that the Auction system is effectively bringing the parties together in the spirit of competition, which in turn results in a mutually agreeable outcome.

Experienced freelance Auctioneer Brett Roenfeldt quotes:

"In the month of December we experienced a strong finish to the year, with a clearance rate of 68% - well above November's 53% clearance rate. Those Agents I have spoken to that worked through the Christmas/New Year period have experienced high levels of buyer activity and demand, with some very good results during this period. There is no doubt there are plenty of buyers in the market at the moment.

Although Auction bookings are low for January, this is a very normal yearly occurrence, with about 15 booked in the last week of January. February is already looking good, with in excess of 30 already booked for the first 2 weeks of the month. All the signs indicate 2004 will be another good year."

These thoughts are echoed by high profile Corporate Auctioneers, Peter Coltman, Jonathan Moore, Jeff Robinson, Lindsay Warner and Golden Gavel Winner Rob John.

Clearly it's business as usual, says Mr Economou.

What we are now experiencing is a market correction in our trading pattern which, when combined with proposed Legislative reforms, points to a period of continuing, demand driven sales activity and a more sustainable housing sector.

Steven Kincaid Sells Air for \$24 million!

Prominent member and Adelaide Auctioneer Steven Kincaid presided over and knocked down Adelaide's commercial FM licence on 3rd November 2003, with a bid from DMG Radio Adelaide of \$24 million.

It's rival, Austero Group, moved to blunt the expansion of DMG in Adelaide by relaunching its 5 MMM stations positioning it along the lines of DMG's Nova stations in Sydney, Melbourne and Perth.

The Austero move is designed to make some noise in the market to divert attention from DMG and to prevent a repeat of the loss of listeners and ad revenue that Austero has experienced as Nova has been launched in other cities.

DMG Radio Australia now has 65 metropolitan and regional licences across Queensland, New South Wales, Victoria, South Australia and Western Australia.

The DMG brands encompass the Hot FM, Star FM and Heritage networks, as well as the Nova network and the Adelaide talk radio station, Five AA.

In recent years, the company has been bidding for the new capital city FM licenses as they become available and has now been successful at five auctions. DMG now owns 6 metropolitan stations, including Nova in Sydney and Melbourne, Five AA in Adelaide and a 50% share in New FM in Brisbane and Nova 937 Perth.

Valuing a Real Estate Business and Plant & Equipment

Plant and equipment is the business's furniture, computers, telephones, copiers, cameras, signboards, fittings and other assets which are capable of being removed from the office without damaging the premises.

Its market value is assessed as the amount you would have to pay to purchase goods, in similar condition, age and repair, from a reasonable person who sells second-hand furniture, computers etc.

Please Note:

When determining the current market value, plant and equipment is not usually assessed:

- in accordance with its written down book value, or
- as the amount a second hand office furniture dealer would pay to take it away.

It is not the business's intangible assets such as the goodwill attached to your property management rentroll/sales or the value attached to the business's intellectual property such as systems/procedures/data bank.

Plant and equipment should be itemised in the business's balance sheet.

THE RENT ROLL

- In most parts of Australia the rent roll is valued by applying a multiplier to the net property management commission (excluding all complementary fees such as letting fees, reimbursements, statement charges and tribunal attendances).
- The multiplier will be determined by the local marketplace having regard to supply and demand.
- Complementary fees average between an amount equal to 10-15% of the nett commission. Where this is not the case the multiplier will be adjusted accordingly.

TO CALCULATE THE RENT ROLL VALUE

V= value; C= nett commission p.a.;

M= local multiplier

Assume: Nett commission p.a. is \$200 000

Local multiplier is \$2.50

$V=C \times M - V= 200\ 000 \times 2.50 = \$500\ 000$

ie. The value of the rent roll is \$500 000.

The factors which determine the multiplier include:

- The level of local supply and demand
- The warranty period/retention amount being offered
- The average term the properties have been managed
- The average distance to the office of properties being managed
- The average rents being received not being too far above or below the average for the area
- The average rate of commission charged
- The rent roll's vacancy and arrears history
- The ratio of cottages to units
- The system of accounting to owners
- The amount of complementary fees
- The agent's average level of delegated authority.

THE SALES DEPARTMENT

Historically the amount of goodwill applied to Australian real estate agency sales departments has been nominal. Typically the value of the rent roll and plant/equipment has been calculated and then that figure is rounded up "for the business's name, reputation and sales goodwill." The favoured argument being: when the principal leaves the sales goodwill leaves with her/him. This rounded up amount averages 5-10% of the average sales commission over the last two years.

This argument still holds true for all PRINCIPAL FOCUSED BUSINESSES (approximately 75% of all Australasian agencies) however where policies/systems are in place which enable a

principal to exit or a new principal to enter a business without a noticeable negative impact on revenue and trading surplus a more appropriate method of valuation is.

TO CALCULATE THE VALUE OF A SALES DEPARTMENT WHICH HAS OPTIMUM LEVELS OF SYSTEMS, ACTIVITIES & POLICIES MANAGEMENT.

V = value; TS = the average trading surplus of the sales department over the last two years.

Assume:

Average sales commission last 2 years is \$800 000

Average sales department expenses last 2 years is \$600 000

Average trading surplus last two years is \$200 000

$V=TS$

$V=\$200\ 000$

ie. The sales department goodwill is valued at \$200 000.

For a Sales department to fall within the category: OPTIMUM LEVELS OF SYSTEMS, ACTIVITIES & POLICIES MANAGEMENT it will have had in operation for at least two years systems which include:

- A business plan
- Financial management: budgeting, cash flow projection, regular cash reports, detailed analysis of each profit centre and every income generator.
- A Policy and Operations Manual
- Duty statements for all personnel
- Directors/shareholders agreement
- Activity statements for all personnel
- Integrated data base, client contact management and customer service systems
- Repeat/referral listing rate in excess of 66%
- Pro-active training programme
- Directors/shareholder succession/entry/exit plan.

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Under the Glass

REVITALISE YOUR SALES MEETINGS



Most sales meetings held every week in real estate agencies throughout Australia share one characteristic: they are boring!

The same person runs the meeting to the same agenda at the same venue. The same people are always late and the resultant improvements in productivity are the same: negligible.

In short, most meetings do what they did last week because that's what they did the week before.

Here are twelve great ideas to help re-ignite the weekly sales meeting.

1. Give every sales meeting a theme such as Improved Open Homes, The Listing Strike Rate, Effective Advertising.
2. In addition to those regular agenda items, ask somebody to speak for 15-30 minutes on the week's theme. The speaker can be from within the office or an outside expert.
3. Promote the theme and the speaker to all personnel well in advance.
4. Change the chairperson every week. Let the team share the responsibility for conducting a productive meeting.
5. Change the agenda order every week.
6. Run each meeting for a minimum of 45 minutes and a maximum of 60 minutes.
7. Start and finish every meeting on time. Lock the doors after the start and do not let latecomers enter.
8. Make attendance voluntary. The meeting must be worth attending every week. Those who don't attend effective meetings will have demonstrated by their lack of attendance that they do not value being part of the sales team.
9. Change the room layout regularly. Some of the options include classroom style, horseshoe, theatre style, square etc.
10. Go to an outside venue at least once every six weeks. For example, hold a breakfast meeting at the local cafe or book a function room for a luncheon meeting.
11. Have a non real estate sales speaker four times per year, e.g. building wealth, a local charity, health and fitness, travel deals.
12. Invite all personnel - the administrative, clerical and property management team should feel welcome to "sit in" on all sales meetings when they have time.

Not every suggestion will work for every sales team. Why not discuss each of the twelve ideas at your next meeting? Ask your sales consultants to make their own suggestions.

Remember, if you do this week what you did last week, you could be getting last week's results next week.

Should Vendors Take a Back Seat?

Vendors who stick close to prospective

by JARROD TAGNI MSAA

passing they may not have thought of what it

purchasers inspecting their home do so for all the right reasons, thinking their input is essential. After all, no one knows the home like they do. But does their subjective, detailed commentary held make sales?

In most cases, direct contact between vendor and purchaser results in lost opportunities, especially when purchasers are put off the property by too much information too soon.

It is not uncommon to anticipate and answer before they are voiced and in so doing highlight negatives.

For example vendors conscious of the steepness of their driveway might say as the purchaser walks past the wheelie bin: "We always put the bin in the boot and drive it to the gate". The purchaser's attention is drawn from the general to the specific before their emotional connection with the property is fully established. They are asked to concentrate on features - negatives ones at that - at a time when they are still in the initial stages of embracing or rejecting the "feel" of the property.

Even if they noticed the steepness in

might mean to them in terms of day to day inconvenience. In spite of the steepness of the driveway, it may still be the right home for them, as it was for the current owner, but if they don't "connect" with the home and imagine themselves living there before facing the practicalities, they are unlikely to move on to the next buying stage.

Vendor presence during inspections can also make buyers uncomfortable. It is harder for them to ask the agent for the very details they do want to know. They are less able to make themselves at home and their attention is on small talk than on the property.

It is natural for home-owners to be interested in the progress of the sale of their property. The best way vendors can stay involved is to choose an agent they can trust to show their house to best advantage - and one they know will communicate with them every step of the way. Knowing what's going on takes much of the stress out of the marketing process and allows vendors to take a back seat with confidence.

Real Estate Purchase by a Foreign National

Our Bidder's Registration Form has again been upgraded to take into account purchase by a Foreign National that needs Foreign Investment Review Board approval to purchase.

The new form is available on the Society's webpage under Documentation, Member Log on.

In essence, for a Foreign National, unless the purchaser is buying off the plan or buying a property that has never been occupied previously, the purchaser needs a visa with a minimum 12 months remaining to make an application. Further detail for the Government Policy on residential property from www.firb.gov.au

Sales Training - For Sales Consultants

As a continuation of the highly successful Workshop held late last year for Auctioneers . . . we now present "Meeting the New Industry Challenges for ALL SALES CONSULTANTS" where we will demonstrate new strategies and techniques devised by the Society as a result of the proposed legislation that will affect us all. As evidenced by the latest Society of Auctioneers & Appraisers results, those that are meeting the challenge of the proposed legislation head-on are continuing to enjoy a healthy success rate but others are falling by the wayside.

Please ensure that all staff involved in any aspect of the marketing and auction process attend this dynamic new workshop. We have offered heavy

discounts for Society Members to encourage you to bring your entire staff to this Presentation.

Booking Forms available from Garry Topp (CEO).

Letter of Offer to Purchase

Please ensure you are using our latest Form which includes full details of the Agent where the Letter of Offer to Purchase is to be sent. Purchasers using the old forms are still sending them to the Society and not the Agent. The current Form is also available on the Society webpage at www.auctioneers.com.au