

HOW THE INTERNET HAS IMPACTED THE BUYING AND SELLING OF REAL ESTATE IN AUSTRALIA

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Introduction

Without any doubt, the internet is impacting almost every area of our society. In the last ten years the way we “*do everyday things*” has changed significantly. Now, when we need to know something, we “*Google*” it (remember the old days when we’d probably track down a book or possibly dig out the *Yellow Pages* and ring someone with expertise in that area?). Many routine activities have changed significantly, and one of those activities is the way we buy and sell real estate.

Changing times

Currently, a lot of sellers are spending a substantial amount of money on marketing their property and getting less than positive results. It’s interesting that so many are yet to realise this change has taken place. Certainly we are creatures of habit. There are many sellers (and even real estate agents) using “old world” techniques in a “new world” marketplace – probably because “*that’s how we’ve always done it*”.

This report looks at the changes that have taken place and explores strategies that produce optimum results at minimum cost in the great new world. If you’re considering selling a property, it could save you a lot of money and heartache. Sellers need to understand the changes and the intricacies of this marketing medium if they want to maximize their position. It is also important to understand the role of the agent, and their ability to adapt in a rapidly changing world.

More research, less shopping

The last three years have seen the most substantial change in the way people buy real estate. Studies show

- buyers now spend more time in research and less time with agents
- they look at fewer properties before they buy, and
- importantly, they still rely on agents to actually purchase.

Even just five years ago we would not have dreamed of the volume of information we can now access, nor the ease and speed at which it is available. While there are some in the community who may still feel a little wary about the

internet, this number is diminishing. And when it comes to selling your property there is no longer any doubt that the efficient use of this medium is vital to your success. Equally, a lack of knowledge of how to harness the powerful resource could well be a contributor to an unsuccessful outcome.

Internet an inexpensive medium, but a double edged sword

The internet, in isolation, is neither good nor bad. When selling property it can be an efficient and cost effective asset. But it is a double edged sword – it's double edged because this ready flow of information can just as easily be used against sellers (and agents) by savvy buyers.

The internet has become an instant, low cost marketing tool. The last few years have seen a global shift of real estate advertising moving from print media to online marketing. In 2005 the internet was the fastest growing advertising medium in Australia¹. And it's very low cost. The "cost ratio" of *advertising dollars per enquiry* using traditional print media has become very uncompetitive when compared to *advertising dollars per enquiry* using the internet.

United Kingdom studies show the *cost per lead* generated through property magazines was approximately A\$190 per lead, newspapers A\$30 per lead yet only A\$3.95 for leads generated through property portals².

The leading real estate advertising portal in Australia, www.realestate.com.au has reported a massive growth in visitors to their site over the last three years. The monthly number of unique visitors to the site has increase from 700,000 to 2.8 million. The average monthly page impressions have increased from 18 million to 279 million in the same time.

Broadband opens the flood gates

The increased availability of broadband services has been the main contributor to this increase with a 60% penetration in Australia. Individuals will access the internet an average of approximately 60 times a day on broadband but only average six times a day on dial-up. Many consumers are now constantly online with Australians logging more time online, per capita, than the UK³

AMR Interactive conducted a survey in 2005 that showed the primary search method used by people looking to buy real estate was the internet - at 63%. www.realestate.com.au conducted a survey the same year indicating that 90% of people looking to buy, sell or rent in the next 12 months would use the internet to search for property.

In-House Realty experience confirms research

In the last two quarters our own experience within *In-House Realty* has shown the internet accounting for around 60% of first contact with buyers, but 100% of buyers we had contact with were using the internet as a means of searching for properties.

The buying process has changed too

The increasing propensity for buyers to use the internet as a research tool is unmistakable, but the fact they are using it is just the tip of the iceberg. The internet is also impacting *the way they buy*. It impacts upon the number of properties they will actually look at before making a purchase and the amount of time they spend with agents before making a buying decision.

In order to see the impact of the modern "internet" buyer, we must compare them to a "traditional" buyer.

Traditional buyers will spend approximately

- 1.6 weeks investigating homes before contacting a real estate agent, then,
- spend an average of 7.1 weeks working with the agent/s to find a home.

In comparison, the internet buyer will spend about

- 4.8 weeks on market research before contacting an agent, and just
- 1.9 weeks before buying.

The net result is that the traditional buyer will inspect an average of 15.4 homes before they make a purchase while the internet buyer will average just 6.1.⁴

"Relationship" now less important

In the traditional model, the ability of the agent to establish a "relationship" with the buyer is an essential ingredient to "holding onto the enquiry" long enough to educate the buyer about the market place and to find the right house for their needs. Buyers may meet with several agents but will quickly develop one or two favourites, and it's these agents that can maintain the relationship that will likely end up with the sale. Internet buyers have a much better understanding of the market and a more precise appreciation of what they can afford before they meet up with agents in the first place. As a result, the relationship with the agent is less important and internet buyers will be more inclined to flit between agents until they find the house that fits their needs.

Buyers can now do a "virtual drive-by" of the properties that hold interest before ever speaking to an agent. They can look at all comparable properties for sale. They have access to what has sold in the area and the price that was achieved. And there are statistical analyses showing the market averages and trends. And

because they are focusing in on a specific price / area matrix, they become quite expert on that stock type.

Internet “alerts” offer time advantage

A significant advantage enjoyed by the internet buyer is the ability for new listings to be “reported” to a prospective buyer the moment it is listed. The buyer completes a questionnaire with the property portal describing the type of property they want, and the computer system automatically notifies the buyer when a property matching their criteria is listed. This means the internet buyer gets a distinct time advantage over another buyer who simply reviews the press advertisements (predominantly on weekends) in the traditional manner. As a result of this, property listed on the internet can become “old” or “stale” very quickly and it is important the agent employs strategies to keep the listing “fresh”.

For a seller, these changes in buyer habits mean that if their property is not effectively marketed on the internet, the modern buyer might disregard it and not make an inspection.

Marketing plan still important to success

A seller must understand the need to maximize the use of this medium as the best method of marketing. Properties need to be placed on a portal site that has high numbers of unique visitors and structured in such a way as to capture the attention of those visitors. This means price and presentation such that it will appeal to a broad range of “lookers”. It also means keeping the property “fresh” with changes to text and photographs on a regular basis.

Just like print media advertising, internet advertising needs a campaign plan. Not to ensure printing deadlines are met, but to ensure the property is kept on the “front page”. Different portals offer different marketing packages, but the main thing to remember is keeping the property in the first three pages of the current listings for price and area, and as high on the list as possible. Remember, a buyer has been researching on average for almost 5 weeks before even speaking to an agent and is well versed in the market. Often buyers will know more about a certain area and price bracket than an agent.

Buyers still buy through people – the new agent’s role

It is important to note that a buyer will eventually contact an agent.

Buyers will only use the internet to a point but are still reliant on a salesperson to purchase a home. Real estate salespeople need to be highly skilled in internet advertising and understand the intricacies of this medium. They must have a detailed knowledge of their market because the buyer will; they must be able to

build value and develop urgency to create the sale; and they must be expert negotiators to optimise a seller's price.

Many local real estate agents are yet to pick up on the changed environment. In many cases they remain fixated with print media advertising when they present their "marketing plan" to sellers. Sometimes this is a deliberate ploy given that a significant by-product of print media advertising is "positioning" of the Real Estate Agency in the community. The advertising puts the agency name in front of readers in order to add to market awareness. As an agency, it's nice to be able to promote a "brand" with someone else's money. But, as a seller, you are more interested in selling your property than you are in promoting the Real Estate Agent's business. Certainly press advertising generates enquiry, but it's expensive and rarely results in YOUR property being sold.

Selecting the right agent to sell your property

The choice of agent is probably still the most important decision to be made when selling property. And picking the right one in these times of change is critical to success. If an agent isn't aware of the changes in buyers' habits, the importance of internet marketing, and how to maximize this medium then you may be better off engaging someone who is.

The right agent will be able to demonstrate high levels of competency with

- Technical knowledge of sales activity in your specific product / market mix
- An understanding of the changed buying process and buyer psyche
- Marketing expertise - optimising your advertising dollar (including a sound knowledge of what works and what doesn't, plus weekly statistical reporting to monitor your marketing campaign), and
- Negotiation skills – to convert enquiry into sales

Summary

The impact of the internet has "raised the bar" in real estate. The recent fluid changes in technology have created an opportunity for both buyers and sellers – each can optimise their price by using an almost instant and cost effective research and marketing tool. And those who are slow to recognise these changes will pay dearly in the marketplace.

The single biggest risk for sellers (and agents) is failure to fully appreciate that the real estate buyer has changed its *modus operandi*. For the seller the first choice is always choosing a skilled agent, but now that "skill set" must include an understanding and ability to maximize the use of the internet for the seller's benefit.

Buyers are far more educated than they have ever been. As a seller, you must make sure they are not more educated than your agent.

For more information about marketing your property effectively, contact Mal Cayley at mal@inhoustorealestate.com.au

1. Citigroup Smith Barney
2. Research by Property Finder, October 2005
3. Neilson Netratings, May 2005
4. realestate.com.au, February 2006
5. ABS internet activity survey August 2005