



RESIDENTIAL

Real estate firms scrap for listings

NZ real estate companies are offering free changeover services, writes Greg Ninness.

REAL ESTATE companies are adding bells and whistles to their core services as they struggle to get enough listings in the slowly recovering residential property market.

This month Ray White announced it would be offering a free service that would handle the changeover of services such as electricity, gas, telephone and newspaper subscriptions for its customers when they move between homes.

This follows a move by Harcourts and L J Hooker to start offering the same service.

Such value-added services are being provided against a background of intense rivalry between the major real estate companies and a major shakeout which is on the way for the industry.

The residential property market has been in recovery mode since February, when both the volume of sales and prices began to improve from the disastrous levels of the previous 15 months.

Buyers have come back into the market, encouraged by record low floating mortgage rates and cheaper prices.

But potential vendors have been more reluctant to list their properties for

Services able to be changed by the scheme included electricity, gas, landline, internet and mobile telephones, pay TV and newspaper and magazine subscriptions.

sale, probably choosing to wait until the market recovers further. This has pushed the sales pendulum back in favour of vendors, with agents in many places reporting too many buyers chasing too few homes for sale.

The result is the median selling price rising from its nadir of \$325,000 in January to \$346,750 in August. Ray White chief executive Carey Smith points to other indicators of the current vendors' market – the narrowing gap between listing and selling prices (ie, the price vendors hope to get and they price they actually achieve) and a reduction in the time it takes to sell.

Smith said that at the height of the boom in mid-2007, properties were selling at an average price which was just 2.1% below their listing price.

As the slump took hold, that gap widened to 8.3% in August last year, as the few buyers who were in the market drove hard bargains.

But, as the market tightened, the gap had shrunk back to 3.1% last month, as vendors once again gained the upper hand.

The average number of days it takes to sell a property had also fallen, from 62 in February to 34 last month.

The key to success for agencies in such a market is to secure new listings of properties for sale.

Smith said gaining a listing provided a double benefit, with 86% of Ray White's vendors wanting to buy another property when they sold their existing home. So when an agency

secured a listing, they gained a potential buyer for another property, as well as the sale of the property they had listed.

According to Smith, the intense competition for listings this was producing, especially in the Auckland market where the recovery was more advanced than in the rest of the country, was forcing agencies "to up the stakes".

The new service to handle the changeover of utilities and other services when people move house was a way for Ray White to improve its product offering when pitching for a listing.

It would be offered to both vendors and buyers, as well as tenants in properties handled by Ray White's property management arm.

Services able to be changed by the scheme included electricity, gas, landline, internet and mobile telephones, pay TV and newspaper and magazine subscriptions.

The service is provided by Australian company Serviceworks Connect through its New Zealand subsidiary Connectnow.

Ray White is promoting the service as part of a suite of what it calls Concierge services, such as mortgage and insurance broking, and organising a



Ray White CEO
Carey Smith.

removal company.

The fee that income services such as mortgage broking and property management generated also helped to sustain the company during periods when property sales volumes, the main driver of agency revenues, were under pressure, he said.

Smith said the "value added"

approach was likely to be given an extra push by changes in the type of people coming into the real estate industry after a major shakeout caused by the slump.

The sharp drop in the number of home sales, and the resulting fall in agency revenues, had forced the closure of 32% of agency branches throughout the country.

The effect on individual salespeople was severe, with about 48% leaving the industry in the year to June.