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the final word - **JOHN JOHNSTON** CEO

DEATH OF AN ORDER TAKER

A changing mood signals a change in practice.

It is said that in Australia and in one or two other first world nations who can still boast a rising population in a western world generally heading the other direction, that each subsequent boom in residential property will be greater than the previous.

The most recent and now recently ended boom however was spectacular by all accounts. It was certainly one of the longest, lasting from early 2002 right through to the end of 2007. In running it's long course it created more new millionaires and multi-millionaires than any in the past, in the process removing all doubt that there could be a surer or safer investment than property.

The mass of new or additional wealth that the protracted property boom created had a significant number of flow-on effects. As many property owners were for all intents and purposes somewhat richer, banks and other financial institutions actively found ways to capitalise on the new money, the most popular being refinancing for a whole set of positive and not so positive reasons.

Non-bank lending took off. Television shows glorifying wealth through property investment started to pop up around the world. Property investment gurus here and abroad emerged from long hibernations.

The hysteria and the property boom proper has however now eased. Why it has done so now is as difficult to quantify this time round as has it been on previous occasions, but there are some obvious clues if we care to look.

There have been several momentous events affecting Australia and the world. Recently the country emphatically voted in a new government after 11 years and 3 terms of the previous. Housing affordability has plumbed new depths after a string of interest rate rises (with a likelihood of more ahead).

Internationally, the US buckled under the weight of the sub-prime crisis and is quite probably already in recession. Several banks in Europe have failed through onward exposure to 'low doc' lending. In the UK, the Northern Rock bank had to be bailed out and Swiss-based financial conglomerate UBS recorded it's largest loss in history. More financial fallout is likely across the globe.

So what does that mean for property? If we go back in history, as our market comes off booms, turnover traditionally drops by 10 to 20%. Interestingly enough, real estate sale prices hardly recede, if at all (although some sellers who overshot the market have needed to re-adjust). To re-inforce this point, since records have been kept, Brisbane median house prices have only ever gone backwards in just one year. That was in 1995 when a minute 2% retraction was recorded. One might care to compare that to the recent performance of the sharemarket where many blue chip shares have shed anything up to 95% of their value and in very short order.

From a real estate industry perspective, as sales turnover dips, the people paid to represent property have to work harder to maintain their income. Essentially, this changed reality means that the tens of thousands of agents active in this country have to change the way they operate or else get used to much less income.

An 'Order Taker' approach to real estate sales is all okay in boom times, but it doesn't cut it in a normal (or tough) market. Given the protracted property boom, a large percentage of agents, including many now with several years experience, haven't experienced anything but good times. If these agents don't or can't adjust to the new reality, they risk going out of business.

Times have changed. Real estate selling is once again more than simply running an ad in the paper (or on the web) and having the buyers line up. Buyers now need to be sourced, educated and encouraged. The real estate sales world has returned to normal which requires the creation of sales. Individual attention and focus from quality agents is in, production line selling in all it's forms, is well and truly out.