Collective Sales – Where Owners Come Together to get the Best Results

'Collective Sale' has been a property buzzword in 2016 – state and local government zoning changes, together with the changes that the Strata Schemes Development Act 2015 now bring, make collective sales a hot topic right now.

Follow these tips to get the best possible result:

Don't get picked off and left out

The preferred method for a developer or party wanting to acquire a group of properties or units in a strata scheme is to pick off owners individually on a lot by lot basis. Agreements offered to individual owners can be options to purchase or even actual contracts for sale of land. Most of these agreements give the purchaser/developer a discretion whether to proceed or not but the individual owner is locked in from first signing.

The other issue with being picked off is that the price offered to individuals is usually only marginally higher than market value. This is often much lower than what is achievable when owners group together to form a collective, where the price for individual lots can often be double the current market value or even more.

If you are in a location or part of a strata scheme where collective sale is a possibility, individual owners should be made aware of the potential to be picked off individually and discouraged from signing any agreements if they are approached, at least until owners have established what they might be worth as a collective and who might be willing to proceed with a collective sale.

Do your homework and find out what you are worth

Before entering into discussions or negotiations with developers or possible buyers, owners should know:

(a) what can be done with the land at its highest and best use; and

(b) what the value of the land is at its highest and best use.

The way to do this is to engage an urban planner to provide advice as to the highest and best use of the land and then engage a valuer to value the land at that highest and best use. This is particularly relevant in circumstances where there has been a zoning change or one is being proposed. What can be done in terms of future development has a direct influence on the total value of the land and as a result, on individual lots.

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Once owners have a realistic idea of what they are worth as a collective, they are better placed to either source potential buyers through an agent or if interested parties are already circling, owners will have a good idea of what is a reasonable price in any sale negotiations.

You are stronger together

Owners should be aware that by grouping together and agreeing to sell their lots as a collective, they will represent a more attractive sale option to a purchaser with bona fide intentions to develop the land and this will nearly always result in a much higher sale price for each lot.

The collective sale process takes time and requires owners to work co-operatively with each other at numerous stages but the potential rewards are significant for owners who are prepared to join together and commit to the process.

Key takeaways

- Collective sales can significantly increase the sale price of individual lots compared to selling individually.
- Owners should be cautious of offers from developers to avoid being picked off individually.
- Understanding the highest and best use of land is crucial for owners before negotiations.
- Working together as a collective enhances the attractiveness of the property to potential buyers.
- The collective sale process requires cooperation among owners but can lead to substantial rewards.

****The information contained in this article is general information only and not legal advice. The currency, accuracy and completeness of this article (and its contents) should be checked by obtaining independent legal advice before you take any action or otherwise rely upon its contents in any way.*

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