



Before You Sell

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Does Moving Up Make Sense?

These questions will help you decide whether you're ready for a home that's larger or in a more desirable location. If you answer yes to most of the questions, it's a sign that you may be ready to move.

- 1. Have you built substantial equity in your current home?** Look at your annual mortgage statement or call your lender to find out. Usually, you don't build up much equity in the first few years of your mortgage, as monthly payments are mostly interest, but if you've owned your home for five or more years, you may have significant, unrealized gains.
- 2. Has your income or financial situation improved?** If you're making more money, you may be able to afford higher mortgage payments and cover the costs of moving.
- 3. Have you outgrown your neighborhood?** The neighborhood you pick for your first home might not be the same neighborhood you want to settle down in for good. For example, you may have realized that you'd like to be closer to your job or live in a better school district.
- 4. Are there reasons why you can't remodel or add on?** Sometimes you can create a bigger home by adding a new room or building up. But if your property isn't large enough, your municipality doesn't allow it, or you're simply not interested in remodeling, then moving to a bigger home may be your best option.
- 5. Are you comfortable moving in the current housing market?** If your market is hot, your home may sell quickly and for top dollar, but the home you buy also will be more expensive. If your market is slow, finding a buyer may take longer, but you'll have more selection and better pricing as you seek your new home.
- 6. Are interest rates attractive?** A low rate not only helps you buy a larger home, but also makes it easier to find a buyer.

5 Things to do Before Putting Your Home on the Market

- 1. Have a pre-sale home inspection.** Be proactive by arranging for a pre-sale home inspection. An inspector will be able to give you a good indication of the trouble areas that will stand out to potential buyers, and you'll be able to make repairs before open houses begin.
- 2. Organize and clean.** Pare down clutter and pack up your least-used items, such as large blenders and other kitchen tools, out-of-season clothes, toys, and exercise equipment. Store items off-site or in boxes neatly arranged in the garage or basement. Clean the windows, carpets, walls, lighting fixtures, and baseboards to make the house shine.
- 3. Get replacement estimates.** Do you have big-ticket items that are worn out or will need to be replaced soon, such your roof or carpeting? Get estimates on how much it would cost to replace them, even if you don't plan to do it yourself. The figures will help buyers determine if they can afford the home, and will be handy when negotiations begin.
- 4. Find your warranties.** Gather up the warranties, guarantees, and user manuals for the furnace, washer and dryer, dishwasher, and any other items that will remain with the house.
- 5. Spruce up the curb appeal.** Pretend you're a buyer and stand outside of your home. As you approach the front door, what is your impression of the property? Do the lawn and bushes look neatly manicured? Is the address clearly visible? Are pretty flowers or plants framing the entrance? Is the walkway free from cracks and impediments?



8 Reasons Why You Should Work With a REALTOR®

Not all real estate practitioners are REALTORS®. The term REALTOR® is a registered trademark that identifies a real estate professional who is a member of the NATIONAL ASSOCIATION of REALTORS® and subscribes to its strict Code of Ethics. Here are five reasons why it pays to work with a REALTOR®.

- 1. Navigate a complicated process.** Buying or selling a home usually requires disclosure forms, inspection reports, mortgage documents, insurance policies, deeds, and multipage settlement statements. A knowledgeable expert will help you prepare the best deal, and avoid delays or costly mistakes.
- 2. Information and opinions.** REALTORS® can provide local community information on utilities, zoning, schools, and more. They'll also be able to provide objective information about each property. A professional will be able to help you answer these two important questions: Will the property provide the environment I want for a home or investment? Second, will the property have resale value when I am ready to sell?
- 3. Help finding the best property out there.** Sometimes the property you are seeking is available but not actively advertised in the market, and it will take some investigation by your REALTOR® to find all available properties.
- 4. Negotiating skills.** There are many negotiating factors, including but not limited to price, financing, terms, date of possession, and inclusion or exclusion of repairs, furnishings, or equipment. In addition, the purchase agreement should provide a period of time for you to complete appropriate inspections and investigations of the property before you are bound to complete the purchase. Your agent can advise you as to which investigations and inspections are recommended or required.
- 5. Property marketing power.** Real estate doesn't sell due to advertising alone. In fact, a large share of real estate sales comes as the result of a practitioner's contacts through previous clients, referrals, friends, and family. When a property is marketed with the help of a REALTOR®, you do not have to allow strangers into your home. Your REALTOR® will generally prescreen and accompany qualified prospects through your property.
- 6. Someone who speaks the language.** If you don't know a CMA from a PUD, you can understand why it's important to work with a professional who is immersed in the industry and knows the real estate language.
- 7. Experience.** Most people buy and sell only a few homes in a lifetime, usually with quite a few years in between each purchase. Even if you have done it before, laws and regulations change. REALTORS®, on the other hand, handle hundreds of real estate transactions over the course of their career. Having an expert on your side is critical.
- 8. Objective voice.** A home often symbolizes family, rest, and security — it's not just four walls and a roof. Because of this, homebuying and selling can be an emotional undertaking. And for most people, a home is the biggest purchase they'll every make. Having a concerned, but objective, third party helps you stay focused on both the emotional and financial issues most important to you.



12 Questions to Ask When Choosing Your REALTOR®

Make sure you choose a REALTOR® who will provide top-notch service and meet your unique needs.

- 1. How long have you been in residential real estate sales? Is it your full-time job?** While experience is no guarantee of skill, real estate — like many other professions — is mostly learned on the job.
- 2. What designations do you hold?** Designations such as GRI and CRS®, which require that agents take additional, specialized real estate training, are held only by about one-quarter of real estate practitioners.
- 3. How many homes did you and your real estate brokerage sell last year?** By asking this question, you'll get a good idea of how much experience the practitioner has.
- 4. How many days did it take you to sell the average home? How did that compare to the overall market?** The REALTOR® you interview should have these facts on hand, and be able to present market statistics from the local MLS to provide a comparison.
- 5. How close to the initial asking prices of the homes you sold were the final sale prices?** This is one indication of how skilled the REALTOR® is at pricing homes and marketing to suitable buyers. Of course, other factors also may be at play, including an exceptionally hot or cool real estate market.
- 6. What types of specific marketing systems and approaches will you use to sell my home?** You don't want someone who's going to put a For Sale sign in the yard and hope for the best. Look for someone who has aggressive and innovative approaches, and knows how to market your property competitively on the Internet. Buyers today want information fast, so it's important that your REALTOR® is responsive.
- 7. Will you represent me exclusively, or will you represent both the buyer and the seller in the transaction?** While it's usually legal to represent both parties in a transaction, it's important to understand where the practitioner's obligations lie. Your REALTOR® should explain his or her agency relationship to you and describe the rights of each party.
- 8. Can you recommend service providers who can help me obtain a mortgage, make home repairs, and help with other things I need done?** Because REALTORS® are immersed in the industry, they're wonderful resources as you seek lenders, home improvement companies, and other home service providers. Practitioners should generally recommend more than one provider and let you know if they have any special relationship with or receive compensation from any of the providers.
- 9. What type of support and supervision does your brokerage office provide to you?** Having resources such as in-house support staff, access to a real estate attorney, and assistance with technology can help an agent sell your home.
- 10. What's your business philosophy?** While there's no right answer to this question, the response will help you assess what's important to the agent and determine how closely the agent's goals and business emphasis mesh with your own.
- 11. How will you keep me informed about the progress of my transaction? How frequently?** Again, this is not a question with a correct answer, but how you judge the response will reflect your own desires. Do you want updates twice a week or do you prefer not to be bothered unless there's a hot prospect? Do you prefer phone, e-mail, or a personal visit?
- 12. Could you please give me the names and phone numbers of your three most recent clients?** Ask recent clients if they would work with this REALTOR® again. Find out whether they were pleased with the communication style, follow-up, and work ethic of the REALTOR®.



Understand Agency Relationships

It's important to understand what legal responsibilities your real estate salesperson has to you and to other parties in the transaction. Ask what type of agency relationship your agent has with you:

Seller's representative (also known as a listing agent or seller's agent)

A seller's agent is hired by and represents the seller. All fiduciary duties are owed to the seller. The agency relationship usually is created by a listing contract.

Buyer's representative (also known as a buyer's agent)

A buyer's agent is hired by prospective buyers to represent them in a real estate transaction. The buyer's rep works in the buyer's best interest throughout the transaction and owes fiduciary duties to the buyer. The buyer can pay the licensee directly through a negotiated fee, or the buyer's rep may be paid by the seller or through a commission split with the seller's agent.

Subagent

A subagent owes the same fiduciary duties to the agent's customer as the agent does. Subagency usually arises when a cooperating sales associate from another brokerage, who is not the buyer's agent, shows property to a buyer. In such a case, the subagent works with the buyer as a customer but owes fiduciary duties to the listing broker and the seller. Although a subagent cannot assist the buyer in any way that would be detrimental to the seller, a buyer-customer can expect to be treated honestly by the subagent. It is important that subagents fully explain their duties to buyers.

Disclosed dual agent

Dual agency is a relationship in which the brokerage firm represents both the buyer and the seller in the same real estate transaction. Dual agency relationships do not carry with them all of the traditional fiduciary duties to clients. Instead, dual agents owe limited fiduciary duties. Because of the potential for conflicts of interest in a dual-agency relationship, it's vital that all parties give their informed consent. In many states, this consent must be in writing. Disclosed dual agency, in which both the buyer and the seller are told that the agent is representing both of them, is legal in most states.

Designated agent (also called appointed agent)

This is a brokerage practice that allows the managing broker to designate which licensees in the brokerage will act as an agent of the seller and which will act as an agent of the buyer. Designated agency avoids the problem of creating a dual-agency relationship for licensees at the brokerage. The designated agents give their clients full representation, with all of the attendant fiduciary duties. The broker still has the responsibility of supervising both groups of licensees.

Nonagency relationship (called, among other things, a transaction broker or facilitator)

Some states permit a real estate licensee to have a type of nonagency relationship with a consumer. These relationships vary considerably from state to state, both as to the duties owed to the consumer and the name used to describe them. Very generally, the duties owed to the consumer in a nonagency relationship are less than the complete, traditional fiduciary duties of an agency relationship.

What is Appraised Value?

- Appraisals provide an objective opinion of value, but it's not an exact science so appraisals may differ.
- For buying and selling purposes, appraisals are usually based on market value — what the property could probably be sold for. Other types of value include insurance value, replacement value, and assessed value for property tax purposes.
- Appraised value is not a constant number. Changes in market conditions can dramatically alter appraised value.
- Appraised value doesn't take into account special considerations, like the need to sell rapidly.
- Lenders usually use either the appraised value or the sale price, whichever is less, to determine the amount of the mortgage they will offer.

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Determining the Value of Your Home

A Comparative Market Analysis (CMA) is essential to determine the value of residential property. Location and characteristics of the property are the key elements in determining value. Therefore, the basis for valuation is similar properties in your area. The market analysis takes into account the amount received from recent sales of comparable properties and the quantity and quality of comparable properties currently on the market. The desired end result is to find a price that will attract a willing and able buyer in a reasonable time.

Once the value of your home has been determined, you can decide on an offering price that will achieve your goals. Generally, the price should not exceed the value by more than 5% or potential buyers may not even make offers. Naturally, if you want to sell quickly your asking price should be very near the value.

The following are a few things to keep in mind about pricing:

- Realistic pricing will achieve maximum price in a reasonable time.
- Your cost or profit desire is irrelevant; the market determines the price.
- The cost of improvements are almost always more than the added value.
- Houses that remain on the market for a long time do not get shown.
- A house that is priced right from the beginning achieves the highest proceeds.

The Importance of Intelligent Pricing

Determining the best asking price for a home can be one of the most challenging aspects of selling a home. It is also one of the most important. If your home is listed at a price that is above market value, you will miss out on prospective buyers who would otherwise be prime candidates to purchase your home. If you list at a price that is below market value, you will ultimately sell for a price that is not the optimum value for your home. As Figure 1 illustrates, more buyers purchase their properties at market value than above market value. The percentage increases as the price falls even further below market value.

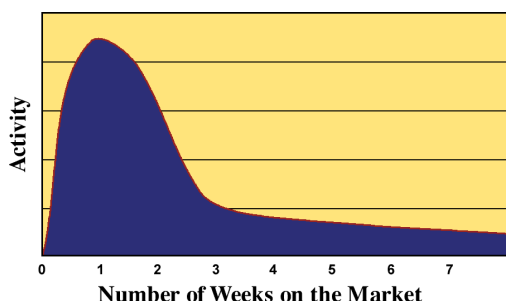


Figure 2 - Activity versus Timing

sale when it is new on the market and the price is reasonably established.

We can give you up-to-date information on what is happening in the marketplace and the price, financing, terms, and condition of competing properties. These are key factors in getting your property sold at the best price, quickly and with minimum hassle.

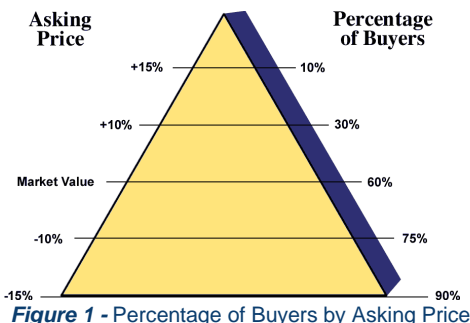


Figure 1 - Percentage of Buyers by Asking Price

while ensuring a final sale price that properly reflects the market value of your home.

Another critical factor to keep in mind when pricing your home is timing. A property attracts the most attention, excitement and interest from the real estate community and potential buyers when it is first listed on the market (see Figure 2). Improper pricing at the initial listing misses out on this peak interest period and may result in your property languishing on the market. This may lead to a below market value sale price (see Figure 3), or, even worse, no sale at all.

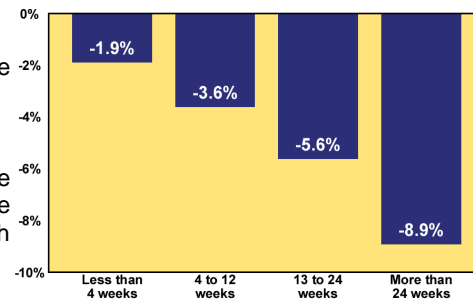


Figure 3 - The Effect of Overpricing