

Realtors and Types of Listings

Want to Start Off With a High Sales Price? Beware!

Meeting With Realtors

So you've decided to sell your home and have a fairly good idea of what you think it is worth. Being a sensible home seller, you schedule appointments with three local listing agents who've been hanging stuff on your front doorknob for years. Each Realtor comes prepared with a "Competitive Market Analysis" on fancy paper and they each recommend a specific sales price.

Amazingly, a couple of the Realtors have come up with prices that are lower than you expected. Although they back up their recommendations with recent sales data of similar homes, you remain convinced your house is worth more. When you interview the third agent's figures, they are much more in line with your own anticipated value, or maybe even higher. Suddenly, you are a happy and excited home seller, already counting the money.

Which Realtor do you choose?

If you're like many people, you pick Realtor number three. This is an agent who seems willing to listen to your input and work with you. This is an agent that cares about putting the most money in your pocket. This is an agent that is willing to start out at your price and if you need to drop the price later, you can do that easily, right? After all, *everyone else does it!*

The truth is that you may have just met an agent engaging in a questionable sales practice called "**buying a listing**." He "bought" the listing by suggesting you might be able to get a higher sales price than the other agents recommended. Most likely, he is quite doubtful that your home will actually sell at that price. The intention from the beginning is to eventually talk you into lowering the price.

Why do agents "buy" listings? There are basically two reasons. A well-meaning and hard working agent can feel pressure from a homeowner who has an inflated perception of his home's value. On the other hand, there are some agents who engage in this sales practice routinely.

What Happens Behind the Scenes

Whichever the case, if you start out with too high a price on your home, you may have just added to your stress level, and selling a home is stressful enough. There will be a lot of "behind the scenes" action taking place that you don't know about.

Contrary to popular opinion, the listing agent does not usually attempt to sell your home to a homebuyer. That isn't very efficient. Listing agents market and promote your home to the hordes of other local agents who **do** work with homebuyers, dramatically increasing your personal sales force. During the first couple of weeks your home should be a flurry of activity with buyer's agents coming to preview your home so they can sell it to their clients.

If the price is right.

If you and your agent have overpriced, fewer agents will preview your home. After all, they are Realtors, and it is their job to know local market conditions and home values. If your house is

dramatically above market, why waste time? Their time is better spent previewing homes that are priced realistically.

Dropping Your Price...Too Late

Later, when you drop your price, your house is "old news." You will never be able to recapture that flurry of initial activity you would have had with a realistic price. Your house could take longer to sell.

Even if you do successfully sell at an above market price, your buyer will need a mortgage. The mortgage lender requires an appraisal. If comparable sales for the last six months and current market conditions do not support your sales price, the house won't appraise. Your deal falls apart. Of course, you can always attempt to renegotiate the price, but only if the buyer is willing to listen. Your house could go "back on the market."

Once your home has fallen out of escrow or sits on the market awhile, it is harder to get a good offer. Potential buyers will think you might be getting desperate, so they will make lower offers. By overpricing your home in the beginning, you could actually end up settling for a lower price than you would have normally received.

Types of Listing Contracts

There are several different types of listing contracts, but very few of them are used. The "Exclusive Right to Sell" is the most common, but there is the "open listing," the "exclusive agency listing," and the "one-time show."

Open Listing

The "open listing" is mostly used by people trying to sell their home by owner who are also willing to work with real estate agents. Basically, it gives a real estate agent the right to bring buyers around to view your home. If their client buys your home, the agent earns a commission. There is nothing exclusive about an open listing and a home seller can give out such listings to every agent who comes around.

For that reason, no agent is going to market your home or put it in the Multiple Listing Service. If your home fits the criteria for one of their clients, and it is convenient, they may be willing to show it to their client. That is all an "open listing" is good for.

One-Time Show

A "one-time show" is similar to an open listing in many respects, as it is most often used by real estate agents who are showing a FSBO (for sale by owner) to one of their clients. The home seller signs the agreement, which identifies the potential buyer and guarantees the agent a commission should that buyer purchase the home. This prevents the buyer and seller from negotiating directly later and trying to avoid paying the agent's commission.

As with an open listing, agents will not be spending money on marketing your home and it will not be placed in the Multiple Listing System.

Exclusive Agency Listing

An "exclusive agency" listing allows an agent to list and market your home, guaranteeing them a commission if the house sells through any real estate agent or company. It also allows sellers to seek out buyers on their own.

This is not a popular type of listing agreement. The reason is that there is not much incentive for agents to spend money marketing your home. If you come up with your own buyer, they have spent money they cannot earn back through the real estate commission. Plus, it is too easy for a greedy buyer to go around the agent and negotiate directly with the seller.

If you find an agent willing to accept such a listing, do not expect too much from them. They will probably just place it in the Multiple Listing Service and sit around to see if something happens. A good agent would never accept such a listing, and you probably want a good agent.

Exclusive Right to Sell

Giving a real estate agent the "exclusive right to sell" your property does not mean that there will not be other agents involved. Your agent is the listing agent and part of his or her job is to market your home to other agents who work with buyers. Those agents will show your home to their clients. Regardless of who sells the home, even if you sell it yourself to a friend at work, your listing agent will earn a commission.

An exclusive right to sell is the only type of listing an effective real estate agent will accept. This is because they have a reasonable expectation of earning back any money they spend on promoting and marketing your property.

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