



## For-Sale-By-Owner Report

### Introduction

This report will discuss how the For-Sale-By-Owner (FSBO) seller is losing more money than the 6% commission they are trying to save by listing their house for sale without a Realtor®. This report will discuss the buyer in the home purchase process, using information from the National Association of Realtors® *2017 Profile of Home Buyers and Sellers Florida Report*, December 2017.

### Price

Sellers that list their home without a Realtor, usually do it to save the 6% commission usually paid to Realtors to sell their home. However, selling your home, without a Realtor, will cost more money by the time the house gets to the closing table, and the main reason is because of the buyers, the most important party in the sale's transaction, after all without a buyer, the house isn't going to sell.

Buyers are going to be using a Realtor, because in Florida, they are free to buyers. As a matter of fact, buyers report the most difficult step in the buying process was finding the right property, and 56% of buyers wanted their Realtor to help them find the right property and 47% of them reported that they benefited from their buyer agent because they helped them find the right property. Realtors are going to educate their buyers.

Buyers are aware that you're trying to save commission. Buyer's second most popular reason to purchase their chosen house was affordability of the home. Realtors are going show your home, drive them around, using their gas, take them to lunch or dinner, negotiate the best price deal for the buyer, and buy them a small gift when they close. So right off the top of the 6% commission you will need to pay the buyer agent's commission. The buyer's agent is going to ask for 3% commission. The buyer's agent is not motivated to show your property without commission for their work, remember they are free to the buyer. Right from the top, you have lost 3% off your saved commission, leaving you with 3% commission.

## Marketing costs

Now you are going to have to market your home. The MLS is the #1 most used marketing tool nationwide. The buyer's first steps in the home search process is to look online, and the sources they used to find their home was 96% their Realtor, and 95% online website. The website most likely used was the Realtor's website, as all Realtors have the MLS service integrated with their site as it is most up to date and with most accurate information. Since your home isn't listed on the MLS, your chances of reaching a buyer is much less.

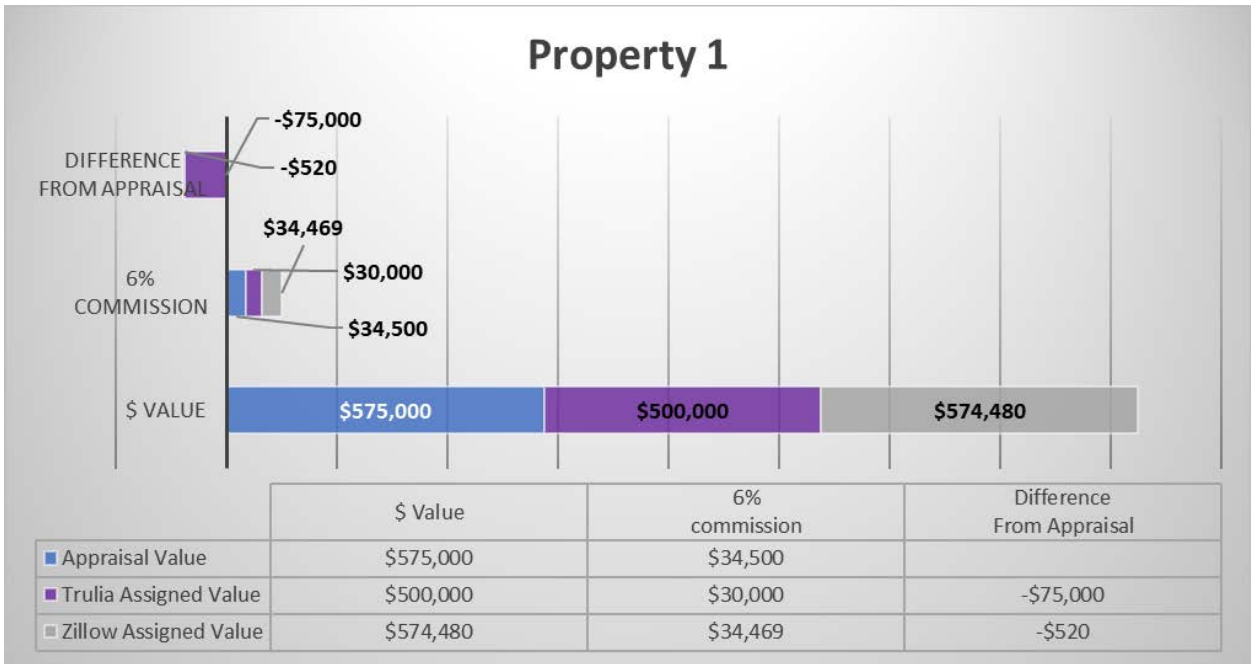
With practically all buyers finding their homes through their Realtor and online, the sign you put in your yard to advertise is going to draw little to no true buyers. Most likely you have your home listed on Zillow or Trulia because they are free sites. The problem with these sites is they do not have real estate professionals running these sites and most often they have false or misleading information. Most Realtors do not like these sites because of this. The truth about these sites is Realtors pay Zillow and Trulia for one thing only; to advertise themselves and look for clients.

Buyers using the Internet for their home search, report the most helpful feature to them is the photos (86%), secondly is a detailed property description (83%), followed by floor plans, and virtual tours (53%). I have seen some of these site (including from Realtors), and it amazes me how many pictures are horrible, or only have 1-2 pictures and they are of the outside of the house. I have had plenty of clients pass on viewing these homes because they feel as though there's a reason why there's no pictures inside of the house. I am a Realtor and I do this for a living, I am not a photographer, therefore, you will not see cell phone photos on my listings, I hire a professional real estate photographer, as well as a professional drone pilot for videos.

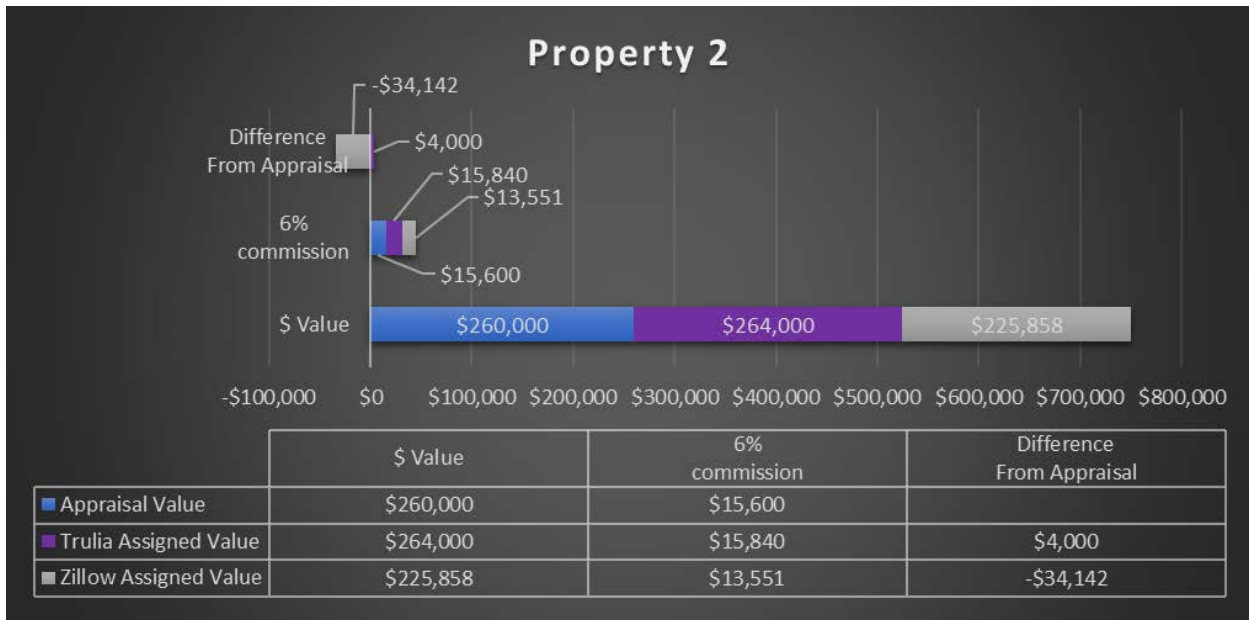
Realtors not only have widespread exposure for your listing, they have the network with many other Realtors that can promote to their buyers. So, in order to accurately market your house to get buyers, it will cost you money. You will probably spend at least 0.5% of the commission, leaving 2.5% commission saved.

If you're on Zillow and Trulia, you probably used their free valuation tool, which does not reflect the actual market. Zillow and Trulia are so inaccurate, the amount of money you could lose is extreme. To illustrate this, Joseph Castaneda, a Florida certified Property Appraiser tested both Zillow and Trulia (How Accurate are the Appraised Values of Zillow and Trulia? August 23, 2018). He randomly selected five properties throughout the country and compared them to the appraisals already completed on these properties. Here is what he found:

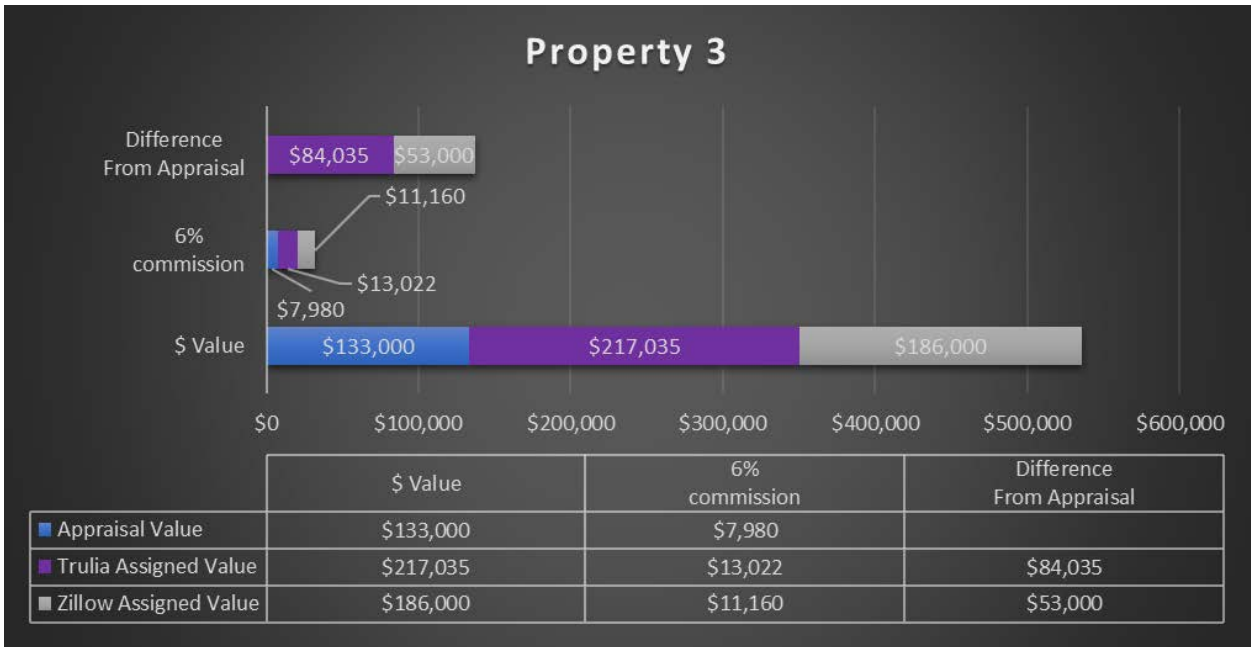
1. First property had a certified appraisal value of \$575,000. (6% Commission: \$34,500.)  
Trulia reported the value \$500,000, **\$75,000** below appraisal.  
Zillow reported the value \$574,480.00, close to accurate, **-\$520**.



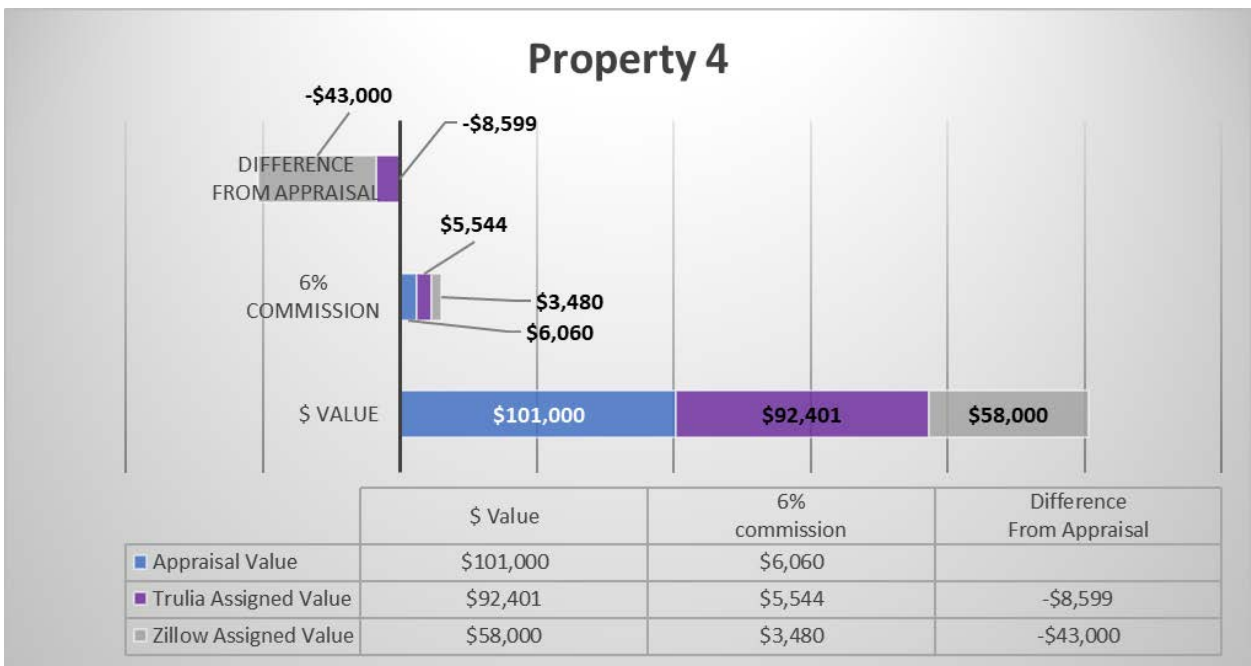
2. Second property had a certified appraisal value of \$260,000. (6% Commission: \$15,600.)  
 Zillow reported this home's value to be \$225,858, **\$34,142** below appraisal.  
 Trulia valued the property \$264,000, **\$4000.00** overpriced.



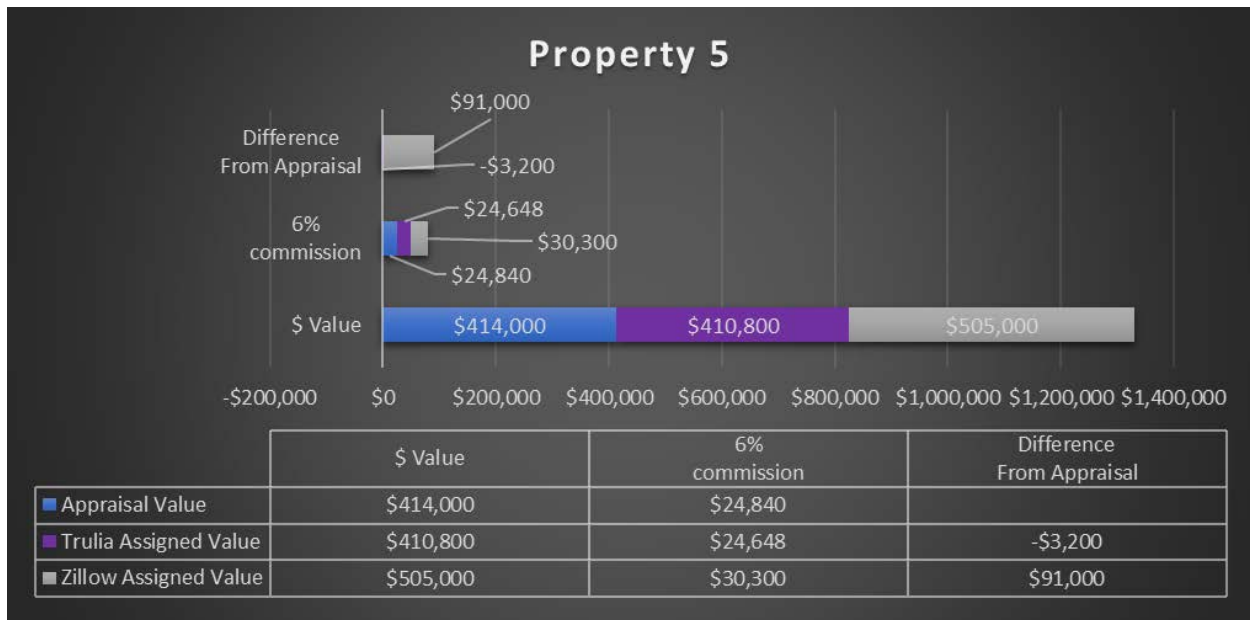
3. Third property appraised at \$133,000. (6% commission: \$7,980.)  
 Zillow valued this home at \$217,035, **\$84,035** overpriced.  
 Trulia valued this home at \$186,000, **\$53,000** overpriced.



4. The fourth property was appraised \$101,000. (6% commission: \$6060.)  
 Zillow valued it \$92,401, **\$8599.00** below appraisal.  
 Trulia valued this home at \$58,000, **\$43,000** underpriced!



5. Fifth property with an appraised value of \$414,000. (6% commission \$24,840)  
 Zillow reported the value of \$410,800, **\$3200** below value.  
 Trulia's value is \$505,000, \$91000 over appraised value!



Based on those results, the use of these sites can be costly in a few ways. One way, by using the site's value tool, you will overprice your home and it will sit on the market and not sell. The longer your house is on the market, the more you will need to reduce the price, and eventually sell for less. Secondly, most buyers will have a Realtor, who will provide the buyer with an accurate current market value, so overpricing your home will assure buyers will just have no interest in your property. Another way you will lose is if your home is overpriced and a buyer does choose to buy it, when it is appraised by the bank (81% of home buyers will obtain a mortgage and banks require an appraisal), the loan will not be approved and you will need to reduce the selling price if you wish to continue with the sale.

Now if your home is underpriced, the Realtor doing a current market value for their buyer, will inform the buyer of how low the selling price is compared to the higher value. They work for the buyer, not the seller and you could inadvertently lose money by selling your home below appraisal value. Important note is that the appraisal done by the bank is for the buyer, and you will not be informed of the appraised value, only if the house is overpriced.

A Realtor will be sure your home is listed accurately. I complete a CMA (Comparative Market Analysis) for all sellers that list with me, and provide a complete report showing where their house should be priced based on the current housing market. Your home is assured to be listed to get it sold quickly and making you the most money. In 2017, sellers using a Realtor earned a median equity of \$50,000, with buyers paying 98% of the listing price (25% of buyers paid 100% of the listing price and 10% paid more than list price).

Sellers using a Realtor in 2017 listed the property on average for 4 weeks, in comparison, homes listed on Zillow can range from 40 days to well over 100 days. Given the broad amount of money you could lose by valuing your home inaccurately, it

is difficult to assess the percentage of commission you could be losing vs saving here. We'll estimate a 0.5% commission, leaving a 1% commission of savings.

## Negotiation

In order to make the sale, the buyer and seller will need to negotiate. The buyer will have a professional realtor to be the middleman between seller and buyer. The realtor will negotiate for the buyer to get them the best deal for them. FSBO's you will need to negotiate by themselves and will need to rely on their own expertise. I do this professionally for a living and I can guarantee that I can negotiate at least 1% more in your property. So, this leaves 0 commission left to save.

## Legal Help

A Realtor knows the legal ins and outs of a home's sale. FSBO sellers who do not know the legal parts of a home sale will need to hire a lawyer, or risk being sued. A home sale is a legal transaction. Between the purchase contract, addendums, and disclosures, the paperwork can be difficult. In Florida, all houses built before 1978, are required an addendum regarding lead-based paint. If you are not familiar with required Florida disclosures and overlook anything required, you could leave yourself open to a lawsuit. Therefore, you are probably going to have to hire a real estate attorney, for about 0.5% commission. This leaves you spending 0.5% above the 6% commission.

## Listing Preparation

FSBO sellers can mistakenly spend too much to prepare your house for sale or even reducing your selling price to avoid remodel expenses. Seller's may overlook small repairs or inexpensive improvements that could be done to attract buyers, or the opposite, they may think they need to do some expensive remodeling in order to attract buyers. Some simple misconceptions could be as simple as a broken doorbell, that is inexpensive to repair, where sellers may think it is so minor it wouldn't affect the sale. This is false. Buyers are turned off by such things that may seem minor.

Sellers are personally invested in their homes, whereas, I am completely objective and view your home as a business transaction. I will view your home objectively and advise you of simple, inexpensive improvements that will sell your home, or even gain value in the house, making you more money. One example of this is a young military couple needing to sell in a neighborhood where there were 8 new builds to compete with and they thought they wouldn't get high value for their home because the new builds were offering current features that were not available when they bought their house. They thought they were going to have to install new flooring and other upgrades that were costly. I suggested some inexpensive things, all less than \$5000, which increased their value and the house sold in less than a week for full listing price.

Using professional advice to prepare the house for listing can save thousands on unnecessary upgrades and renovations. At least 0.5% would be spent in preparing the



house without professional advice about what is the most value producing repairs or upgrades, leaving the commission to 1% above the 6% commission.

## Time

I assume you have a job. Selling your house by yourself is like having another job, if you want it sold. You will need to schedule showings for potential buyers, deal with gawkers that have no intention of buying a house but will walk through your home just because it's open to look. One of the reasons why FSBO homes are on the market for a long period is because the sellers can't drop their job to attend to potential buyers, hold open houses, take phone calls from buyer agents, unless they take time off from work. Another thing to consider is buyers are not comfortable with homeowners being in the home while they view the home and they do not want to share their opinion directly with the seller.

I am a full-time Realtor, with that entails working long hours, weekends, and holidays. I help stage your home, schedule viewings, hold open houses and sort through suitable offers. I will receive feedback from potential buyers and share this feedback to the seller. After an offer is made and negotiated, I coordinate home inspectors, appraisers, escrow and title companies, all while freeing up your time to live your life and avoiding the headaches.

Time spent on selling your home is going to cost you from either taking time off from work or missed opportunities for buyers to view and make an offer on your home. Maybe another 0.5% from the commission, which leaves you spending or losing 1.5% above the 6% commission.