Now Is the Worst Possible Time to Try “For Sale By Owner”

As I drive around Jefferson County showing homes, I’m surprised to see a “For Sale by Owner” sign in someone’s yard. You might be thinking, “Homes sell so quickly now, why would someone want to pay a real estate agent to list his or her home?” However, I can’t think of a worse time to be a homeowner handling his or her own showings and transaction.

It’s not uncommon for a moderately priced home — up to $400,000 — to attract 50 or more showings and multiple competing offers in the first few days on the market. We professionals have a showing service to handle agent showings, and we have software specifically designed for managing and tracking multiple offers. An agent with a $400,000 listing told me she had 50 sets of visitors come to her three-hour open house last weekend. Agents who hold open houses have colleagues who can assist in handling that kind of traffic. A FSBO homeowner could quickly become overwhelmed in such a situation.

The vast majority of your multiple offers will come from buyers who are represented by real estate professionals. The FSBO homeowner’s emotional attachment, combined with limited negotiating experience, could make this an unfavorable situation to be in.

Getting the house under contract with the right buyer is only the first hurdle in the transaction process. The buyer will be inspecting the house and submitting an “inspection objection” notice. How will you respond? Let’s say you have a wood shake roof or windows with broken vapor seals that you know will become inspection issues. You may think you should fix one or both of these problems before selling your home.

My advice is that such items can be used as bargaining chips when a buyer submits the inspection notice. Let’s say there’s a long list of demands including the roof and windows. The seller can say, “I’ll replace the roof and/or windows but not do anything else.” The roof and windows are such big ticket items that the buyer is likely to say, “Okay!” But if the seller already replaced the roof and windows, he might not get away with refusing to do any of those other things without risking termination by the buyer.

When there are multiple offers, I always try to get a backup contract in place. Then, come inspection time, if the buyer makes any demands to fix or replace things, I share those inspection demands with the backup buyer who might tell me he’ll take the house “as is” if the current buyer terminates. Then the seller is in a position to refuse some or all of the original buyer’s inspection demands.

Alternatively, certain known inspection issues, such as wood shake roof, can be a point of negotiation in selecting the best offer. I have written counterproposals myself which say, “Buyer shall not make the shake roof an inspection issue.”

This kind of expertise is worth thousands of dollars to a seller — far more than any listing commission. Also consider that a FSBO homeowner finds himself paying hundreds of dollars in advance for marketing materials including signs and brochures, not to mention professional quality photos and video, website and more — expenses that are generally covered by a listing agent.

You Thought Inventory Was Low? Look at These Recent Statistics

At the end of March, there were approximately 5,200 active listings on REcolorado.com, Denver’s MLS. (We won’t have the exact count until next week.) That is the lowest figure in the last five years, as shown in this chart.

However, that’s not the full story. Each month for most of the last 2 years, the number of homes sold — 3,233 in Feb. 2015 — has been higher than the same month in previous years going back to 2010. The number of new listings for this past February (4,566) was higher than the previous February, but new listings can’t keep up with the number of sales. The National Association of Realtors says that the bidding wars we are seeing will not end soon.

Are Locksmiths Licensed? Not in Colorado

It may surprise you, as it does me, that only 15 states license locksmiths, and Colorado isn’t one of them. I learned this from a recent email about locksmith scams which I received from the owner of Mr. Rekey, which is based in Texas, a state which does license locksmiths.

I find it interesting that real estate agents must be licensed and fingerprinted and even barbers must be licensed, but a person choosing to advertise himself as a locksmith — perhaps a person who recently graduated from one of our largest learning institutions, prison — does not have to obtain a license from the state of Colorado.

Knowing this, perhaps you’d like to know what Mr. Rekey said about avoiding locksmith scams. Their first suggestion is to identify a trustworthy locksmith before you need one. You don’t want to frantically Google “locksmith” or look in the Yellow Pages when you’re locked out of your home or car and just hope you reach a trustworthy locksmith.

Other tips from Mr. Rekey: 1) Ask for the locksmith’s company name. If he can’t give one, don’t use him. 2) Look at his vehicle. If it’s a private car or unbranded vehicle, don’t use him. 3) If he says he needs to drill out the lock, he’s not a professional. A real locksmith should be able to pick the lock. 4) Only use him if he takes a credit card payment — you’ll have recourse through your credit card company. 5) Ask for a business card and check for credentials. A reputable locksmith will be accredited by a trade association. 6) Be skeptical of low charges such as $10 or $20.

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