Making the ‘By Owner’ vs. Listing Agent Decision

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If you have ever tried the “For Sale by Owner,” or FSBO, approach to selling your home, you know that it is not a method for minimizing contact with real estate agents. The day after you place your first newspaper ad, your phone will start ringing from agents who subscribe to Warnock’s FSBO alert service. This alert service depends on the fact that any advertisement placed by an agent must make it clear that it was placed by an agent, either by giving the name of their company (e.g., “RE/MAX”) or by using the word “agent.”

Every morning, the staff of Warnock’s scans newspapers, websites and magazines for ads which were not placed by agents and emails subscribing agents the property address, phone number and other information contained in those ads. I do not subscribe to Warnock’s, but I experienced their effectiveness when the Denver Post “gave” me a free mention of my open house in an ad which omitted the fact that I was an agent. Over the next week I must have received a dozen phone calls, asking me about my home for sale. I would have received more calls, but after the first call I asked Warnock’s to retract my “FSBO.”

In real estate school I was told that when a FSBO owner complains about getting calls from agents, I should say, “Well, the quickest way to stop calls from other agents is to list with me!”

Prospecting FSBO’s is not in my business plan, so I never got to use that line, nor do I ever intend to. I did, however, have occasion recently to discuss the pros and cons of the FSBO strategy when a friend called to tell me he was going to try selling his house without an agent. He figured he would save $20,000 or more, and that it was “worth trying.” (He did, however, want my advice on pricing his home right.)

Suppressing, as best I could, my self-interest in the outcome of our conversation, I found myself counseling him about the risks and costs of trying the “For Sale by Owner” approach. First, I pointed out that any buyer would probably have a buyer’s agent and that, like most FSBO’s, he’d end up paying that agent a “co-op” commission of 2.8%. At, say, a 5.6% listing commission, the incremental cost of being represented by a listing agent was really 2.8%, cutting his “savings” in half.

Then, I recounted some recent experiences I had which gave value to professional representation. For example, the appraisal on one of my listings came in at $5,000 less than the contract price, and the buyer was going to terminate if we didn’t lower the price by that amount. By informing the appraiser of certain facts about his comps, I got the appraisal increased by $5,000. In another case, I convinced a buyer to proceed with a sale despite an appraisal $25,000 below the contract price. It is unlikely a FSBO seller would have been as successful.

Other considerations: Could he create a virtual tour of his home? Get it onto Realtor.com as a “Featured Home”? Show the home when he was out of town? Create a website just for his house? My friend ultimately listed with me, and two days later was under contract with an out-of-town buyer who only saw his house on the Internet and wouldn’t have seen the “For Sale” sign in his front yard.

Real Estate Today

Ultra-Private Golden Patio Home

You’ll be amazed at how private this patio home is, considering its small lot. The reason is that it backs to a creek and to the steep open space across that creek. Inside this 3-BR, 3-bath home, you can’t see any other homes except when you look out the window next to the front door. The main-floor master bedroom opens onto the full-width wood deck which faces that open space. Hardwood floors, a wood-burning stone fireplace, vaulted ceilings, granite counters, and skylights in both kitchen and master bath are just a few of the features. Downstairs, in the fully finished walk-out basement, are two guest bedrooms — one of them a second master — and a family room. Priced at $375,000.