

SELLER'S GUIDE

IMPORTANT THINGS TO CONSIDER BEFORE SELLING YOUR HOME



COURTESY OF

Would you move if it was to your advantage?

A much-repeated investment strategy is to buy low and sell high. People who purchased around the financial crisis of 2010-2012 are poised to make considerable profits.

The median home price in America is now \$359,900 up from \$155,600 in February 2012 which calculates to a 9.76% annual increase. "Homeowner equity has more than doubled over the past decade and become a crucial buffer for many weathering the challenges of the pandemic," said Frank Martell, president and CEO of CoreLogic.

Inventory is in short supply while demand is high, causing prices to increase. Factors that continue to contribute to the lower number of homes on the market are high mortgage rates and insufficient housing starts in the past ten years. Homeowners are staying in their homes longer and some, with low rate mortgages, feel compelled to stay put due to high current rates.

Some experts believe that a significant portion of the workforce will continue to work from home after the pandemic has passed making the motivation for a larger home more of a long-term effect.

Even though the supply of inventory has grown to 3.3 months from 2.1 months a year ago, the number of sales are down by 35% year over year to a seasonally adjusted annual rate of just over 4 million sales.



While the pandemic has certainly wreaked havoc on some businesses like the hospitality industry, but real estate has continued to boom. Seven out of ten sales contracts are closing on-time which can give sellers a great deal of confidence.

Taxpayers can exclude up to \$500,000 of qualified gain if they are married and up to \$250,000 if single. Some homeowners are taking the profit from their homes while at the top of the market, reserving part of their equity for investments, and purchasing another home with a higher loan-to-value mortgage at the incredibly low mortgage rates available now.



Is now the time to sell your home and buy another?

Some homeowners feel like they may as well throw a dart against the wall to decide whether to move or not. Other people might invoke a process attributed to Benjamin Franklin. Supposedly, to evaluate the options and bring clarity to the choice, this American founding father would list all the reasons for and against the decision on a sheet of paper. After reducing it to writing, the choice would appear either by the obvious majority or practicality.

Buying a home is an emotional decision but selling a home can be also. Separating the rationale from the emotion can make decisions seem obvious but they may still not be crystal clear.

There is a shortage of homes for sale that have caused prices to rise and market time to shorten. In most active markets, the supply of homes for sale has increased from what was available a year ago. With the demand still exceeding the supply, home values are stable and have continued to increase, albeit, not as strong as they were in 2021.

The National Association of REALTORS expects the median home price to be relatively flat in 2023 for most markets following a 9.6% gain in 2022.

Is now the time to sell your home and buy another? Cont.



Mortgage rates more than doubled from the beginning of 2022 to the end which eliminated close to 15 million mortgage-ready buyers from the market. Mortgage rates are expected to continue to fall to possibly 6% by the end of 2023 and be under 6% in 2024.

"The economic conditions in place in the top 10 U.S. markets, all of which are located in the South, provide the support for home prices to climb by at least 5% in 2023." reported Lawrence Yun, Chief Economist for NAR, in his annual year-end Real Estate Forecast Summit.

Yun went on to say ""Half of the country may experience small price gains, while the other half may see slight price declines," Yun said. "However, markets in California may be the exception, with San Francisco, for example, likely to register price drops of 10–15%."

There could be continued relocation of people based on the working from home phenomenon that appeared during the pandemic and has continued as the country emerges.

This provides opportunities for homeowners to relocate in an area that doesn't have the high demand that their current area does and could benefit from more affordable housing for the replacement while possibly, maximizing the sales price of their current home.

Good information specific to your needs is essential to making good decisions. Explore the possibilities with your real estate agent who can provide the facts you need.

Moving UP or DOWN



Staying at home during the pandemic has caused a lot of owners to think about how nice it would be to have a larger home to accommodate the additional activities that come along with isolating. Particularly for people with children at home or possibly, the potential of either adult children or parents coming to live with them.

There is an opposite contingent who are trying to weigh the pros and cons of selling their larger home and downsizing. A smaller home is easier to maintain and usually, has lower utilities, insurance, and property taxes.

Some people might be considering the convenience and ease of mobility of a single level home. It may be finding a location with proximity to the activities they are interested in now. A newer home might have less maintenance and be more energy efficient.

Married taxpayers who have owned and occupied a principal residence for two years can exclude up to \$500,000 of capital gain while a single taxpayer can exclude up to \$250,000. Liquidating the equity in their home without a tax liability could have multiple benefits.

Some people might choose to pay cash for the replacement home. Others might put 20% down to avoid mortgage insurance and possibly, even get a 15-year loan to get the lowest rate. The balance of the equity could be invested at a rate higher than, the interest on their new mortgage. Still, others might want to have some reserve funds available for whatever the next unanticipated crisis might be.



Moving UP or DOWN Cont.

It could be a way to fund a longtime goal like children's or grandchildren's education, or a wedding, or a once-in-a-lifetime trip. Maybe, part of the equity could be used to start a business or make a grant to a worthwhile charity.

Selling a home and purchasing another will have expenses involved that must be taken into consideration. Purchase costs could be 1.5 to 3% while sales expenses could easily be 2.5 times that much.

Regardless of whether you are moving to a larger home or a smaller one, now is a good time to make the move. Due to the low inventory in most markets, homes are selling quickly, many times, in less than three weeks. Normally, the winter months have less activity which means less competition also. And then, there are the mortgage rates which are near record lows. Check the current rates.

Like any other big change in life, it is recommended that you take your time to consider the possible alternatives and outcomes. Your real estate professional can provide information that can be valuable in the discernment process such as what your home is worth, what you will net from a sale as well as, alternative properties for your next stage in life.



Pre-Listing Inspections Can Lead to Faster Sales

Imagine what happens when there is not a pre-listing inspection. The buyer contracts for the home with a provision for professional home inspection. The inspection could discover things the buyer didn't expect or even, anticipate. If it doesn't trigger an action to terminate the contract, the buyer will inevitably, ask the seller to make all the repairs.

When presented with the buyer's request, the seller takes the opposite position of not wanting to do any of the repairs. The buyer could accept the property in its "as is" condition or negotiate the repairs or a reduced price with the seller.

Any experienced agent can tell you that sometimes, a mutually agreed negotiation is reached and other times, an impasse is met that cannot be resolved. The contract is terminated, and the house must go back on the market but this time, a disclosure has to be made to all parties looking at the home which may deter showings.

Taking a pro-active approach, by obtaining a pre-listing inspection, the seller can find out about things that will probably show up in a buyer's inspection. They can get them repaired before the home is shown and it will help the buyer feel more confident with the home. Another option would be to disclose them as not working and make a price adjustment, either way, the seller is in control and is taking a position of transparency with potential buyers.

In some cases, the pre-listing inspection may show things in working order that the buyer's inspection indicates as needing repair. With two disinterested parties having opposing opinions, negotiations have a more likely chance for a mutual agreement.

Disclosing things that are not in working order can reduce liability in the future. Some deficiencies with the home are not discovered prior to the closing and the surprise issues could lead to liability. The pre-listing inspection by a professional combined with the seller disclosing it properly can reduce potential liability.

For the small investment, the benefits of a pre-listing inspection are well worth the expense. You and potential buyers will have a better idea of the condition of your property and know what to expect. You can present the property in a transparent way that will build confidence with the buyer. You'll avoid unpleasant surprises as well as possible delays. Pre-listing inspections can lead to faster sales and satisfaction for everyone involved.

Equity, Price, and the Agent You Select

A Seller's equity in their home is the difference between what the home is worth and what they owe. At any point in time, it is an estimation because value is a very subjective term. If the seller thinks the home is worth more than an actual buyer will pay for it, the estimated equity is too high. If a buyer is willing to pay more than the seller believes the home is worth, the estimated equity is too low.



A true determination of equity becomes more objective when the home is sold, and the value is solidified by the sales price. This value is determined by negotiations between a seller and buyer and eliminate speculation and conjecture because money and title are being exchanged.

The equity being defined above is more accurately referred to as Gross Equity. After the ordinary and necessary expenses connected with the sale of a property are deducted from the sales price, along with any mortgage balance and/or liens, the proceeds are referred to as Net Equity.

Like in business, the goal is to maximize revenue and minimize expenses, the same is true in selling a home. The goal is to achieve the highest possible sales price while keeping the expenses as low as possible.

Setting the price of a home is ultimately, the seller's decision. It is critical because not only will it impact the amount of proceeds the seller realizes, but it can also affect the length of time it takes to sell, how much activity it will generate from buyers, and eventually, whether it sells at all. The cost of a home is what the seller paid for it and the improvements made. Cost has no relationship to value. Market value is the most probable price willing and informed buyers and sellers can agree upon in a competitive market in a reasonable period.

*Price the home too low and the seller has unrealized proceeds.
Price it too high and it eliminates interested buyers.*

Preparation to Market

Preparing the home to go on the market has expenses involved. Things like painting the front door or adding landscaping to increase the initial appeal is an investment to attract the buyer's attention. While it may not add value to the home, it is an important element.

Decluttering the home takes time and may even involve temporarily renting a storage facility for things that may make your home feel smaller or detract from making your home as visually appealing as possible.

There are obviously selling expenses involved in the sale of a home which can vary based on the price of the home, what is customary in your area and negotiations in the sales contract. Your agent can advise you on these so that you don't pay anything out of the ordinary and can provide you an estimate of what is to be expected.

Your real estate professional can provide you the information necessary to decide on price. However, do not confuse your decision on whom to market your home by the price indicated by the market and reported by the agent.



The market determines the value, and the seller sets the price. Your decision in selecting an agent should be based on trust, reputation, integrity, and the ability to execute a successful marketing plan.

With slowing sales and less mortgage-ready buyers in the market, sellers should be cognizant that the market has shifted and that additional effort is needed to affect a timely sale by considering market preparation and possible concessions to entice buyers to act now.

ONE-BUTTON PRICING

An Automated Value Model, AVM, is a computer model that looks at public records and determines price based on square footage, comparable sales, and other elements. It is as easy as putting your address in a blank but unfortunately, AVM results are only accurate about 20% of the time.

A popular AVM, Zestimate®, states “It is considered a starting point at determining a home’s value.” While an AVM contains some of the same information as a comparable market analysis, it lacks a critical human factor.

Having a pair of experienced eyes consider aspects that are not easily quantified can make a big difference. A skilled professional can tell which properties are truly comparable. A knowledgeable expert can recommend marketing strategies that can dramatically improve a seller’s net proceeds.

Even if a person isn’t ready to sell yet, they like to know the value of their investment. It is easy to find the price of stocks or mutual funds on any given day, but the value of a home is more difficult.

Regardless of whether you’re just curious as to how much your home is worth or are ready to monetize your equity, the experienced opinion of a real estate professional can yield a more accurate value.

Discuss with your real estate professional pricing your home slightly below market value and using a “coming soon” promotion to encourage increased buyer interest and possibly a bidding war.

Pricing Properly

A common rationale that sellers entertain is that “we can always start a little higher and come down but we can’t go up on our price.” The problem with this logic is that the buying public is very savvy in today’s Internet information era.

Buyers have access to the very same data that seller’s use to price their home properly. And even if they were not completely up to date, they usually ask their agent’s opinion before writing an offer.

Even if a buyer were willing to pay more for a home than it was worth, consciously or unconsciously, if they’re getting a mortgage, it will require a mortgage. The appraiser will be looking at the same comparables to justify the price. Most buyers are reluctant to pay more than the appraisal.

Overpricing causes several difficulties:

- **Reduces sales associates’ activity** because they know it is over-priced and don’t want to waste their time showing it because the seller is unrealistic. Increasingly more often, selling agents are representing the buyer and have a responsibility to find the best values for their clients.
- **Reduces advertising response** because buyers as well as agents looking for a home in a certain area become familiar with what is available.
- **Loses interested buyers** who might have looked at it but didn’t think the seller would consider what they thought it was worth. Not all buyers are willing to go to the effort to write an offer, put up earnest money, and take the time it takes to find out if the seller will take less.
- **Attracts the wrong prospects** because they are expecting more amenities in the home based on the price and once they see it, it won’t compare to the other homes in that price range.
- **Eliminates offers** for the same reason because the wrong prospects are looking at the home.
- **Helps sell the competition** by making the other homes in that price range look like they have more to offer.
- **Can cause appraisal problems** even if you were to find a buyer who was willing to pay more than market value. The lender would require an appraisal which would demand factual, objective proof that the home was indeed worth what the buyer was willing to pay for it. The lender does this so that if they must take the home back because the buyer defaults, the loan would be covered by the sale of the property.
- **Extends market time** because of all the reasons listed above.





A lesson from a Pro

A well-known professional home stager, recently, decided to sell the 4,000+ square foot home which she lived in with her husband. It certainly was well maintained and by most standards, could have gone on the market immediately. However, she still went through a full staging effort before she listed the home.

The work included painting inside and out especially, changing the kitchen cabinets from gray to white. The carpet was replaced along with a few dated light fixtures. They stained the fence and added minor landscaping to make it look fresh and inviting. They removed personal items from the home that might be distracting and replaced some furniture that was too large and might have limited a buyer's imagination.

The home looked and smelled clean. It had great drive-up appeal. Each room looked like it belonged in a magazine and the professional photos let potential buyers see the home before they visited it in person. When the home did come on the market, it sold in five days, above list price, with multiple offers, and for a considerably higher sales price than previous comparable sales had indicated it would.

The lesson to be learned is that even if a home is in good condition, taking the time to go through the steps to make it look its best will generate the kind of results that every seller hopes for when selling their home: the highest possible price, in the shortest time with the least amount of inconvenience.

A sad story relived over and over – The Home is not Sold with a Counteroffer

Ask any real estate agent and they can tell you a similar sad story. The seller, whose home just hit the market, received an offer which was less than the list price, but felt certain that their home would sell quickly and countered for more. For whatever reason, the buyer did not continue to negotiate and moved on.



After a week or two and no other offers, the seller instructed the listing agent to contact the buyer's agent and say that the seller had reconsidered and would now accept their original offer. However, the buyer's initial enthusiasm was gone and were looking elsewhere.

This is a story that frequently happens across America, in all price ranges. The lesson to be learned is that sometimes, the first offer is the best. Consider the rationale, a home is fresh on the market and buyers, especially the ones who have lost bids on other homes, act quickly to hopefully avoid some of the competition.

When an offer is not accepted, it voids the original offer and, in this case, the seller makes the buyer a counteroffer; the buyer can accept it, make a counteroffer, or walk away. Even if the seller reconsiders and says that he will accept the terms of the original offer, the buyer is under no obligation to accept it.

Alternatively, if the seller accepts the buyer's original offer, a contract has been agreed upon based on the terms within. The house is sold and closed once any contingencies such as financing and/or inspections have been satisfied.

Think of an example where a seller countered for an additional \$5,000. If he had accepted the original offer, the home would have been sold. In essence, he bought the home back from himself in hopes of making an extra \$5,000.

To put it in perspective, on a \$350,000 home, the additional \$5,000 would have been 1.4% of the value. As an investor, the risk involved in having to continue to own the property may not be justified by such a low rate of return. Having the property sold may provide peace of mind and convenience that far exceeds the \$5,000.

When the seller receives an offer, they are faced with three options

When a seller receives an offer, they are faced with three options.

- 1 They can accept the offer and the house is sold considering the contingencies can be met.
- 2 The seller can reject the buyer's offer outright and wait for an acceptable offer.
- 3 The seller can counteroffer the buyer with terms that are agreeable to the seller.

Many agents feel that if the offer is not acceptable, the counteroffer alternative presents a greater likelihood of negotiating to an acceptable agreement between the parties. Every situation is unique, but compromise has brought buyers and sellers to agreement in many situations.

One of the valuable advantages sellers have is their agent's experience and lack of emotional connection to the property. Your agent can provide objectivity and alternatives for you to consider in making your decisions.



Handling Multiple Offers



Based on the current competition from similar homes to yours, it is possible to find yourself on the beneficiary side of a bidding war. Two or more parties may be trying to buy your home at the same time and because of the competition, they increase the purchase price, possibly, remove unnecessary contingencies and try to make their offer as attractive as possible.

This can pleasantly result in you realizing higher-than-expected sales price and proceeds of sale. While it may not materialize, it is good to understand what could happen and the best way to handle it. Your real estate professional is positioned to offer you specific advise but the following are some things to consider.

One tactic is to delay showings for a short period of time. Some agents will create this by putting a sign on the property with a rider that indicates “coming soon” and depending on the local MLS rules, it may even be put in the system. No showings will be allowed until a publicized date, usually, a few days, at which time, the goal is to have them standing in line to see the home.

This might even be combined with an open house scheduled for the initial showings. Agents using this method have sometimes found many people waiting for some time, outside the home to see it first.

Handling Multiple Offers Cont.



When multiple offers are made, invariably, there will be some disappointed people and for that reason, it is essential to follow a strict procedure to see that no one is given an advantage over other buyers. Discuss the following suggestions with your professional:

- All offers are countered by asking the buyer to make their “best and final” offer which will include not only price but terms also.
- The seller may authorize the listing agent to disclose that there are multiple offers. (Article 1, Standard of Practice 15 of the National Association of REALTORS® code of ethics.
- Discuss with your professional their thoughts on revealing information, like price and terms, on other offers you are considering. In most cases, they are allowed with your permission, and it can make a difference in the negotiations.
- If one offer is substantially better than the other offers, the seller can accept or counter-offer.
- Have your real estate professional advise you of countering more than one offer at a time which could result in contracting to sell your home to more than one person. They can advise you alternative ways to do this.

Keep this in mind. Sometimes, the highest offer is not the best offer. Even though the buyer is willing to pay a high price for your home and possibly, willing to remove the financing condition, if they are going to get financing and it doesn't appraise, it can cause issues. Have your real estate professional tell you about asking for proof of funds from a cash buyer or confirming their ability to pay above appraised value.

INTERESTING FACTS

The NAR Profile of Home Buyers and Sellers reports 87% of all buyers cited real estate agents as their number one source used in the home search. 47% of all buyers looked online for properties for sale as the first step taken during the home buying process.

Interestingly, 86% of buyers purchased their home through a real estate agent or broker compared to only 68% in 2001. The agent services deemed most valuable to buyers were help finding the right home to purchase (49%) and help to negotiate the price and terms of sale (24%).

Competition for homes being sold has greatly increased over the previous two years, according to a recent REALTORS® Confidence Index Survey from NAR. In November 2022, there were 2.3 offers for every home sold. 61% of homes sold in November 2022 were on the market for less than a month. Contracts are typically closing in 30 days which is the same as a year ago.

NAR identified 10 real estate markets that it expects to outperform other metro areas in 2023. In order, the markets are as follows: Atlanta-Sandy Springs-Marietta, Georgia, Raleigh, NC, Dallas-Fort Worth-Arlington, TX, Fayetteville-Springdale-Rogers, AR-MO, Greenville-Anderson-Mauldin, SC, Charleston-North Charleston, SC, Huntsville, AL, Jacksonville, FL, San Antonio-New Braunfels, TX, and Knoxville, TN.

The median days on the market for listings in November 2022 was 24, up from 18 days a year ago. 28% of residential sales were made to first-time homebuyers which is up from 26% one year ago.

The average homeowner with a mortgage has nearly \$180,000 in equity. Less than 1.9% of homeowners have negative equity and 37% of homeowners own their homes free and clear. It is not likely that we'll see a wave of foreclosures and distressed sales.

There are significant differences between what caused the housing crisis before and currently which make it unlikely for home prices to crash. In the last housing cycle, there were 8 million job cuts compared to none currently. Sub-prime loans were prevalent then, but virtually none now. Inventory was around 4 million units and currently is about 1.2 million.

“There are many ways to define a seller’s market, but a few key hallmarks are limited availability of homes for sale, fast-selling homes, and rising home prices.” Danielle Hale, Chief Economist realtor.com.

Today’s environment requires a strong, sensitive agent who understands your goals as well as the intricacies of the market to be able to devise a plan to make it happen. Your agent and their recommendations for the other professionals involved are the boots on the ground necessary whether you are a buyer or a seller.



Selecting the Right Agent in a Seller's Market

Even in the current, low inventory housing market, sellers are resisting the urge to sell it themselves and still seeking the help of a real estate professional. It may be more important than ever and there is too much at stake to risk going it alone.

The number of people attempting to sell on their own has been in steady decline since 2003 from 14% to 8%. In the 2022 Profile of Home Buyers and Sellers produced by the National Association of REALTORS®, homeowners selling their own home increased to 10%, probably stimulated by the extreme seller's market of 2021.

The most frequently mentioned difficulties that owners who decided to sell it without the benefit of an agent included preparing the home for sale, understanding, and performing the paperwork, getting the price right and selling it within the length of time planned. Another commonly cited challenge was having enough time to devote to all aspects of the sale.

The other nine out of ten homeowners who are selling with a real estate professional are many times faced with the question: "How do I determine which agent to use?" In some situations, owners know more than one agent and the dilemma becomes picking the right person for the job.

To get the answers that will lead to selecting the right agent, an owner needs to ask the right question. Open-ended questions will give you a more descriptive answer that can bring clarity to your decision. Questions that begin with who, what, when, where, why and how will elicit a much more robust answer.



Agent Interview Questions

The following suggestions should be helpful for homeowners considering selling:

- How long have you been selling homes and is this your full-time job?
- What designations or other credentials do you have?
- How many homes did you and your company sell last year?
- What is your average market time compared to MLS and your top competitors?
- What is your sales price to list price ratio?
- When will you report to me on the progress of my transaction?
- Who can you recommend for service providers like mortgage, inspections, repairs, and maintenance?
- Why do you want to work with me?
- Where are the biggest opportunities to expose my home to the largest market?
- What is your marketing plan for my home?

Additional questions to help you identify the best agent for the job in today's market



Specific to today's market, additional questions to help you identify the best agent for the job could include:

- With the shortage of homes for sale, is it necessary to update the home prior to listing?
- In this competitive market, is staging the home important?
- What are your thoughts on professional photography and video?
- Is there a way to stimulate competition among to buyers?
- Explain to me range of pricing and how it applies to home search on the Internet.
- Can you profile the most likely buyer for my property?

These questions can guide your interview, which is exactly what it is. You are trying to find out how this prospective agent is going to handle some of the intricacies in the selling process that can affect the successful sale of your home.

After evaluating the answers you receive, you will either move forward to have this agent represent you or you move in a different direction. A third option, from our perspective, that occasionally develops is that we determine that we may not be able to manage the outcome that you are expecting.

Selecting the right agent to represent you, even in a Seller's market, is an important decision and you need to have all the help you can get making the right one. We're happy to provide the answers you want and need and will disqualify ourselves if we believe that it is not in your best interest. Our reputation depends on satisfactory results from every transaction we handle.

Steps in Listing Process



Step 1 – Preparation includes examining the home through critical buyers’ eyes to determine what things must be done to the house to maximize the purchase appeal. These can include decluttering the home, removing furniture and belongings that make rooms or closets appear small. Determining what needs painting or what fixtures need replacing. Does the landscaping need attention? Is the drive-up appeal what it should be?

Research includes knowing your numbers and your neighborhood. What homes are on the market that the subject property will be competing with in price and how it compares to them in condition, location, and terms. It is important to know average market time, days on the market, days under contract, sales price to list price ratio and whether appraisals are meeting the sales prices.

Step 2 - Motivation describes the reasoning for selling the home currently. Wanting to move to a larger home in another area is very different than testing the market to see if there is a buyer willing to pay an unusually high price. It takes a tremendous amount of time, effort, and expense to put a home on the market. Some of the expense is borne by the seller but the agent also incurs hard expenses, as well as a considerable amount of time.

A seller’s objectives could include achieving the best price, within a predetermined time, and with the fewest inconveniences. Another common objective could be the coordination of the sale and occupancy of the existing home with the purchase and occupancy of the replacement home.

Step 3 – Agents should tailor a marketing plan to fit your home, your situation, and the current market. Even in a seller’s market, the plan can make the difference in a quick sale at the right price or a property that lingers on the market for weeks, if not months. Ask questions about things you don’t understand, and which items are critical, and which might be optional.

Step 4 – The agent you select is an integral part of the overall success of the sale of your home. This professional needs to be experienced, knowledgeable, and committed to advocate your best interests. They should be detail oriented, organized, and focused on your needs.

Step 5 – Your agent will provide you with accurate information on the homes in your immediate area that have sold recently, are currently for sale and even, properties that failed to sell. Adjustments can be made for differences in size and condition to arrive at an indicated market value. Your agent’s job is to provide you the data and your job is to establish the price. While it may be ideal to maximize the price and proceeds, remember what your motivation and objectives are which could be more related to timing or convenience than money.