

5 COMMON MISTAKES SELLERS MAKE

and how to *HELP* sellers avoid them.

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**What are the
5 common MISTAKES
sellers make**

The 5 Common MISTAKES Sellers Make Today...

- 1. OVERPRICING THE PROPERTY**
- 2. DISCOUNTING / NOT CONSIDERING THE HOME'S
CONDITION**
- 3. GETTING INVOLVED IN THE SHOWING**
- 4. FAILURE TO DISCLOSE PROBLEMS WITH THE
PROPERTY / PROPERTY HISTORY**
- 5. NOT LISTENING TO THEIR AGENT**

How to help sellers avoid them.

The 5 Common MISTAKES Sellers Make

- 1. OVERPRICING THE PROPERTY**
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How to help sellers avoid OVERPRICING

- 1. Credible comps**
- 2. Credible CMA**
- 3. Educate on the negatives of OVERPRICING**
- 4. Effective communication to help your message be interpreted correctly**

Anything Else?

The SELLER'S GOAL:

Sell for the **HIGHEST PRICE** within their
DESIRED TIMEFRAME and with the
LEAST INCONVENIENCE to them.

The BUYER'S GOAL:

Buy for the **LOWEST PRICE** within their
DESIRED TIMEFRAME with the
LEAST INCONVENIENCE to them.



Gap Solutions

The **SELLER** doesn't want to **UNDER\$ELL**

The **BUYER** doesn't want to **OVERPAY**

BOTH want to get the **BEST PRICE...**

FAIR MARKET VALUE

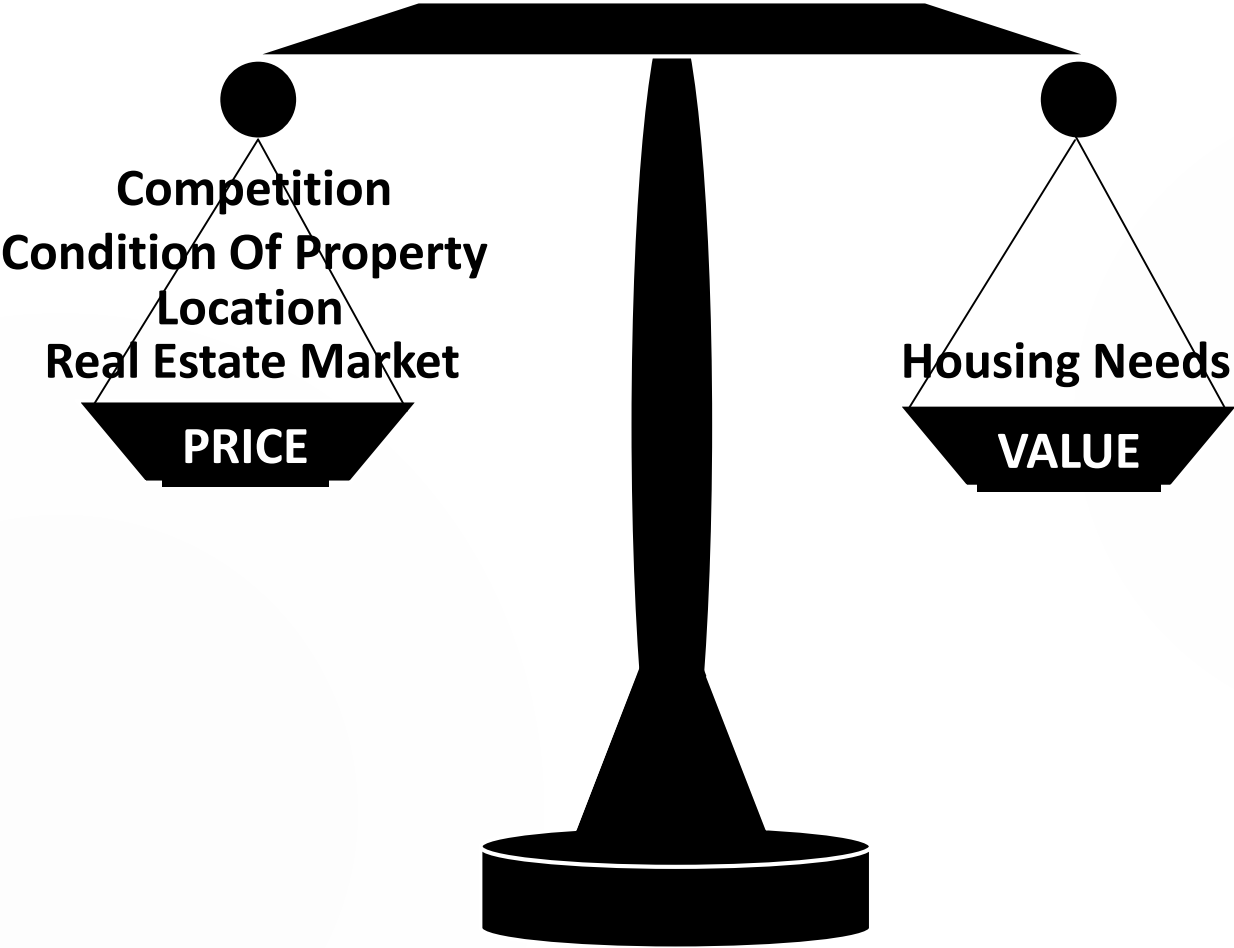
Fair Market Value (FMV) is defined as*:

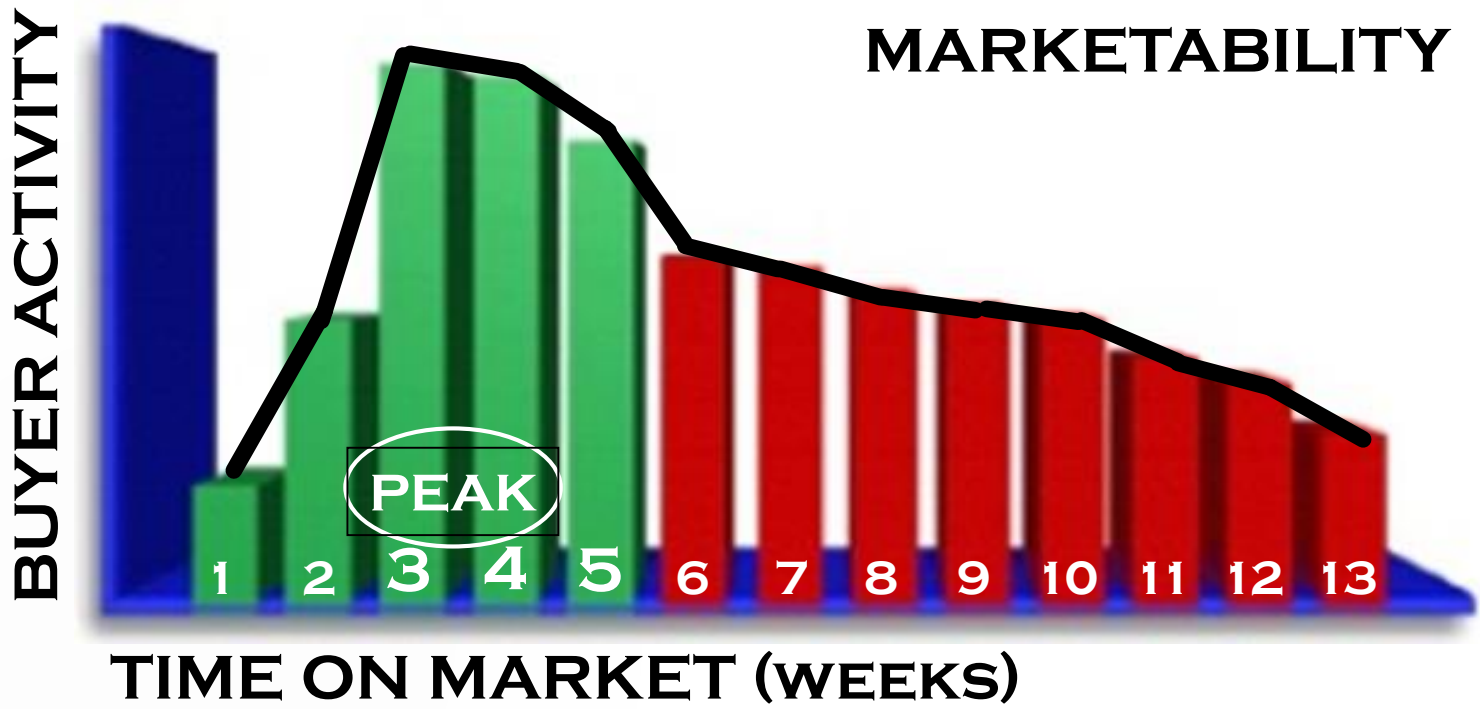
“The price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The fair market value of a particular item of property includible in the decedent’s gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate.”

*<http://www.appraisalcolorado.com/value-vault/fair-market-value/>

According to IRS Regulation §20.2031-1, which is also included in the Dictionary of Real Estate Appraisal, Fifth Edition, published by the Appraisal Institute (Chicago Appraisal Institute, 2010)

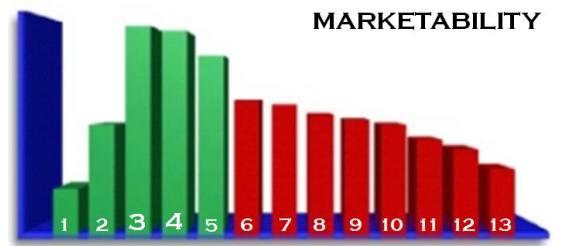
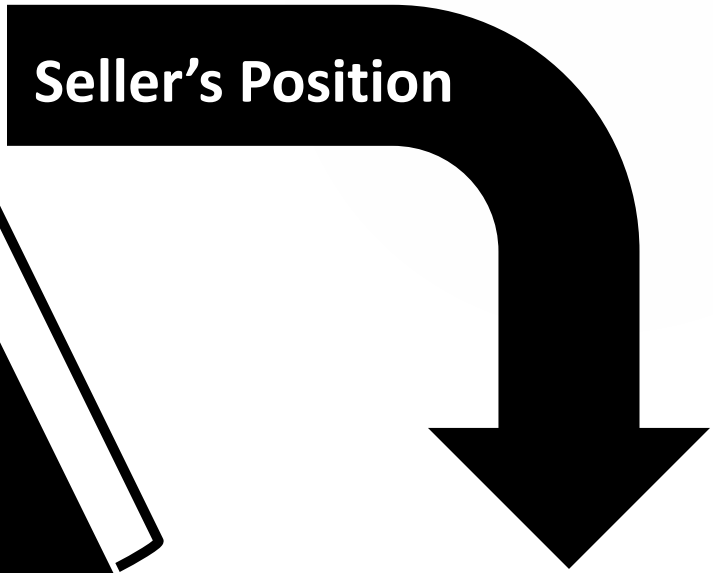
SELLER PRICE VALUE BUYER







POTENTIAL BUYERS





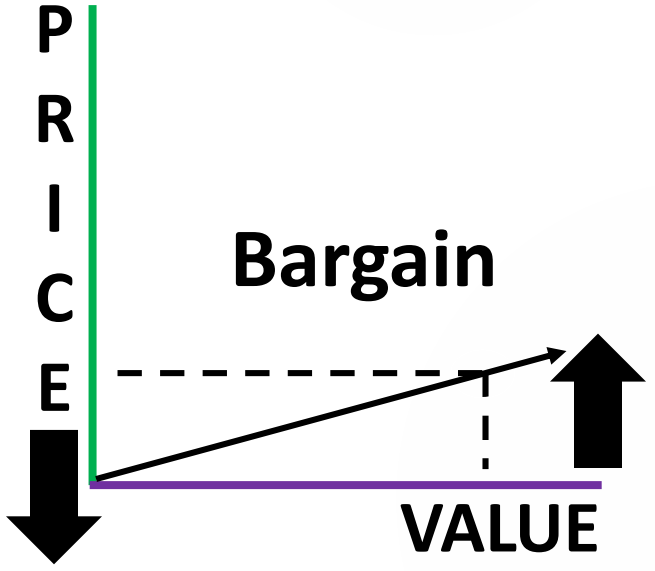
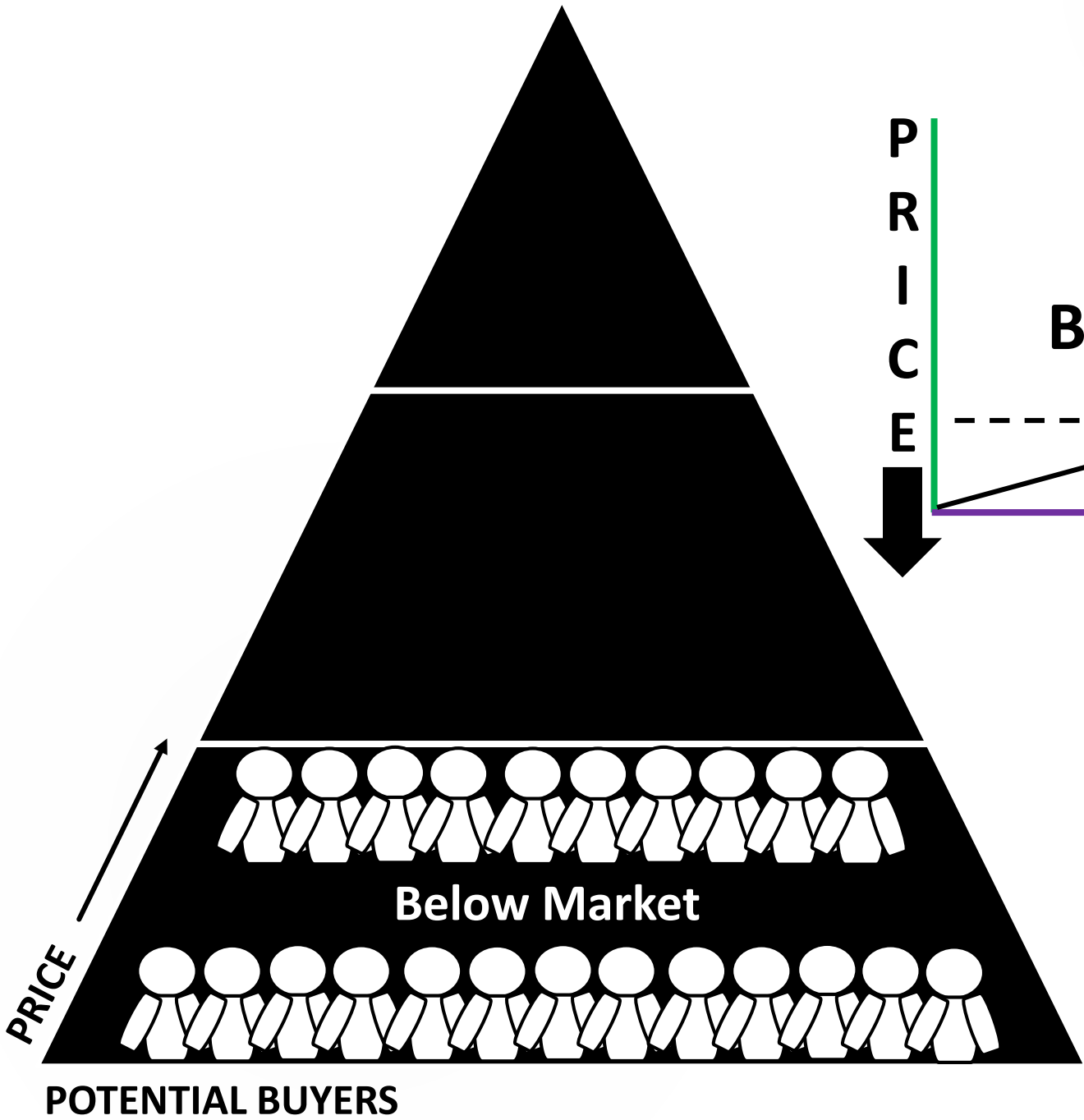
**Above
Market**

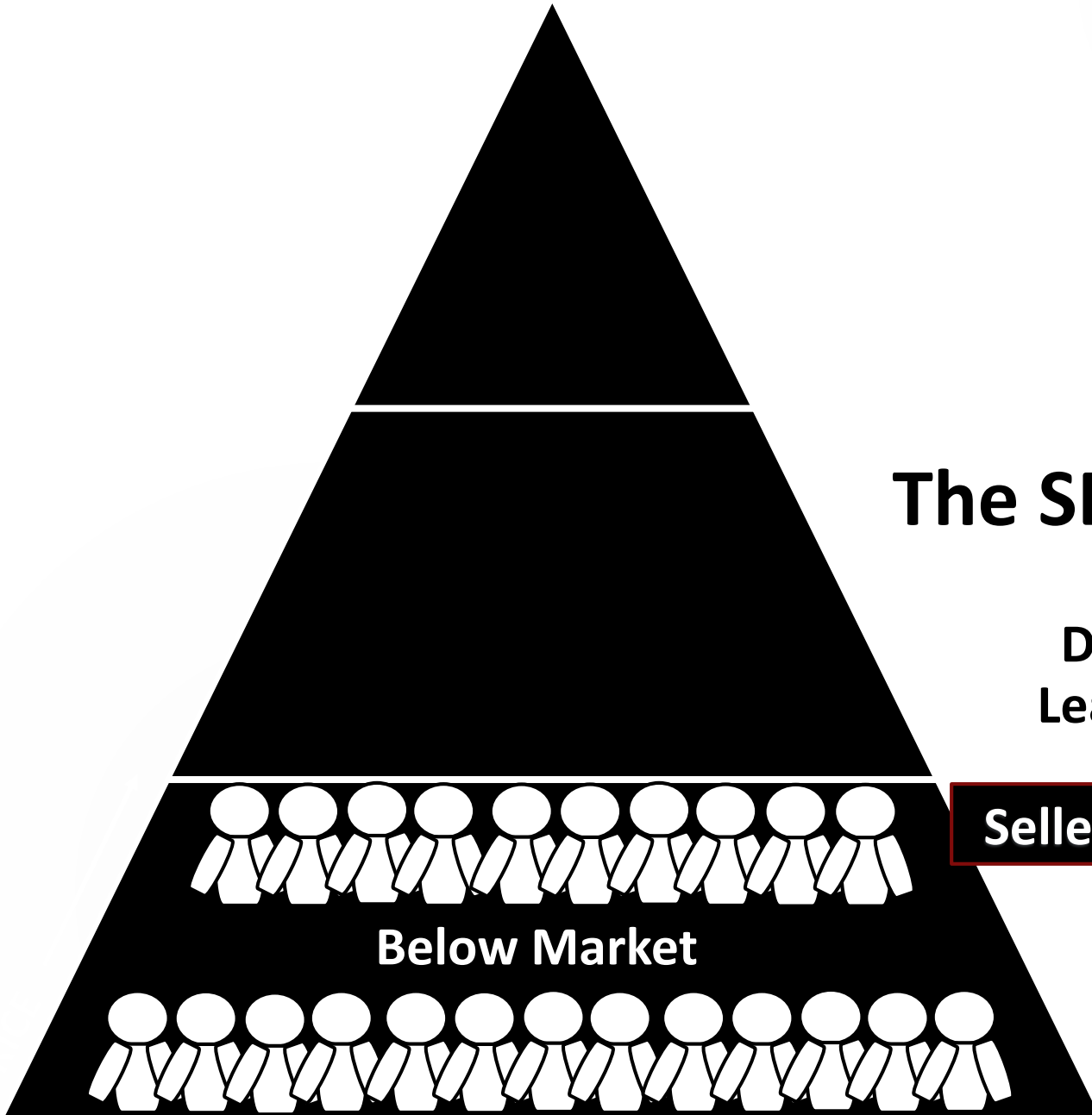
Fair Market

Below Market

PRICE

POTENTIAL BUYERS



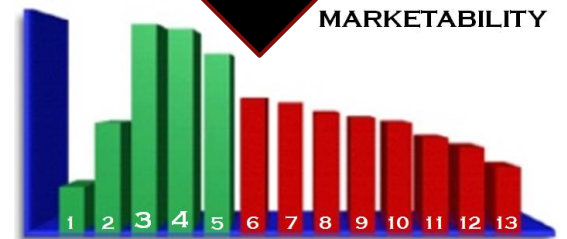


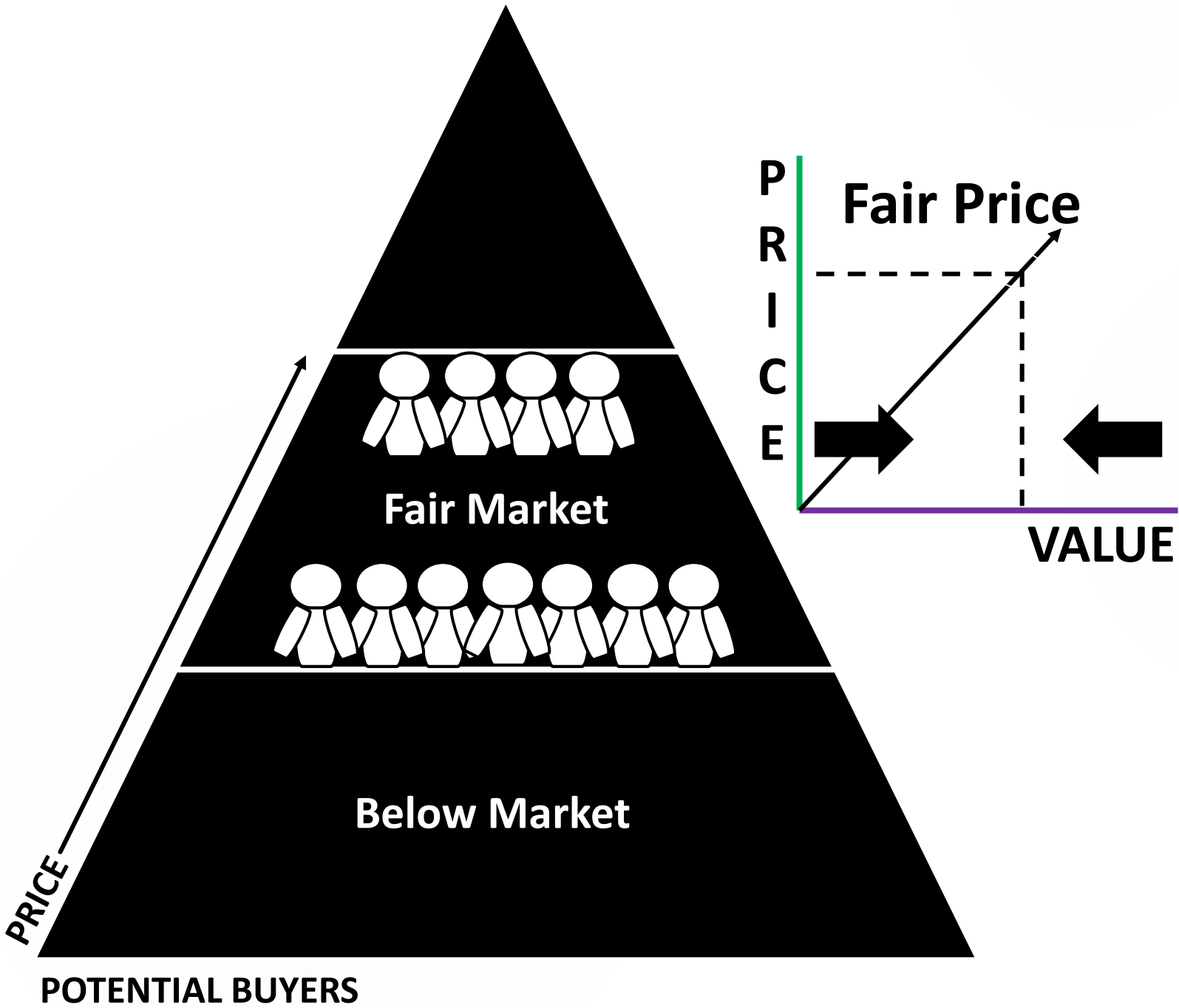
Below Market

The SELLER'S GOAL:

- Highest Price
- Desired Timeframe
- Least Inconvenience

Seller's Position





PRICE

Below Market

Fair Market

Fair Price

PRICE

VALUE

POTENTIAL BUYERS

The SELLER'S GOAL:

Highest Price

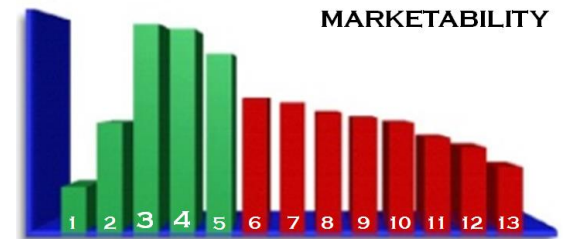
Desired Timeframe

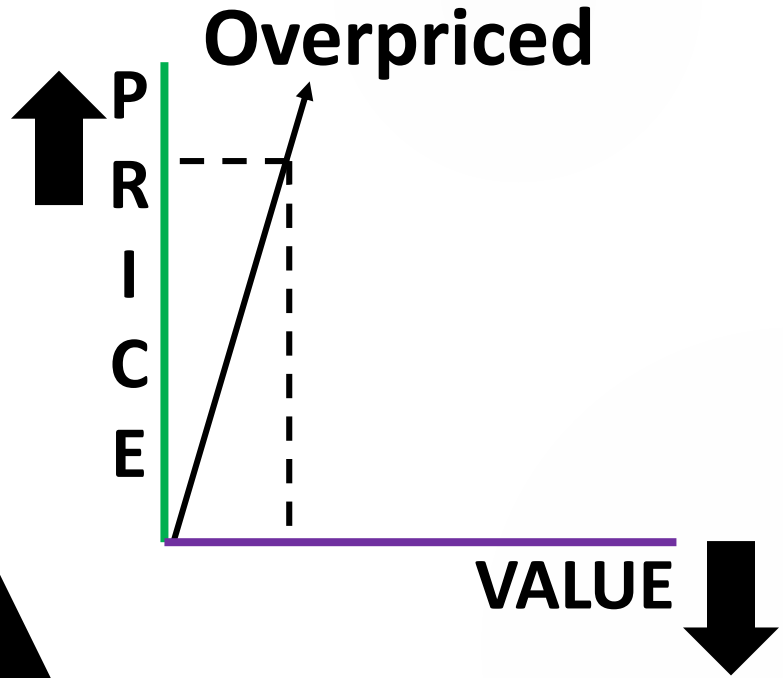
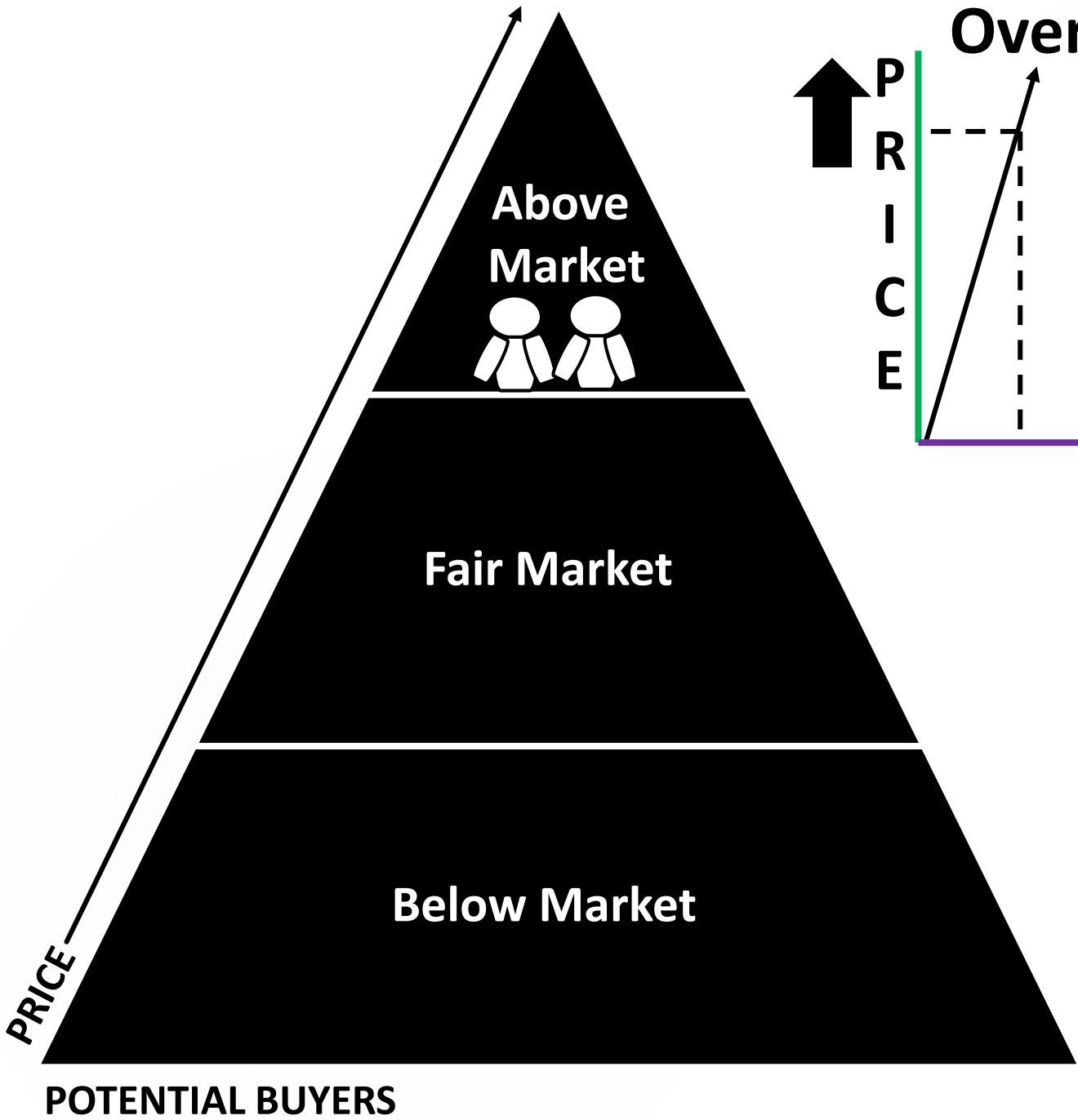
Least Inconvenience

Seller's Position

Fair Market

Below Market







Seller's Position

Above Market

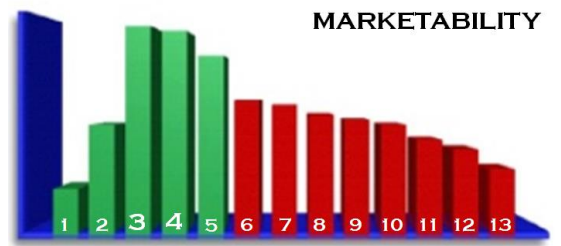

The SELLER'S GOAL:

- Highest Price
- Desired Timeframe
- Least Inconvenience

Fair Market

Below Market

POTENTIAL BUYERS



**WHO *ULTIMATELY* DECIDES HOW MUCH
THE PROPERTY IS WORTH?**

- A. Seller
- B. Buyer
- C. Appraiser



**Above
Market**

Fair Market




Below Market

I will **PAY YOUR PRICE**, if you
will **ACCEPT MY TERMS**.

**WHAT ARE REASONS WHY
SELLERS OVERPRICE
THEIR PROPERTY?**




***Greatest tool to avoid
OVERPRICING...***

Residential

Subject	Comparable 1		Comparable 2		Comparable 3	
						
	9311 MIGAN RD RANDALLSTOWN		4212 HERRERA CT RANDALLSTOWN		2815 LINDIN WAY WOODSTOCK	
		Adj		Adj		Adj
MLS#:	BC012728		BC012728		BC7046832	
List/Rent Price	\$559,900		\$349,900		\$559,900	0
Sold Price					\$520,000	0
Status	ACTIVE	0	CONTRACT	0	SOLD	0
Leg Subdivison		0	KRAM JAEGER	0	EDRICH MANOR	0
Contract Date		0	31-Jul-2010	0	30-Apr-2010	0
Settled Date		0	30-Sep-2010	0	16-Jun-2010	0
DOMM		0	22	0	366	0
Total Assesed	\$503,000	0	\$447,200	0	\$617,820	0
Lot Size (Sqft)	92,783	0	187,744	0	132,858	0
Fin SQFT AG		0		0		0
Unfin SQFT AG		0		0		0
Style	Colonial	0	Colonial	0	Colonial	0
Type	Detached	0	Detached	0	Detached	0
Year Built	2004	0	2004	0	2000	0
Exterior Constr	Brick	0	Brick and Siding, Brook Front	0	Brick and Siding	0
Total Bedrooms	5	0	5	0	4	0
Full Baths	3	0	2	0	2	0
Half Baths	0	0	0	0	1	0
# of Garage Spac	0	0	0	0	2	0
# of Carport Spa	0	0	0	0	0	0
# of Assigned Spa	0	0	0	0	0	0
Basement Type	Full, Unfinished	0	ops, Walkout Level, Sump Pump	0	Space For Rooms, Unfinished	0
# of Fireplaces		0	1	0	2	0
Heat System		0	Forced Air	0	Forced Air, Zoned	0
Heat Fuel	Natural Gas	0	Electric	0	Natural Gas	0
Cooling System	Central A/C	0	Ceiling Fan(s), Central A/C	0	Ceiling Fan(s), Central A/C, Zoned	0
Cooling Fuel Syste	Electric	0	Electric	0	Electric	0
Exterior Features		0		0		0
Property Cond		0	As-is condition, Needs work	0	Shows Well	0
Seller Subsidy		0		0	12,000	0
		0		0		0
		0		0		0
		0		0		0
		0		0		0
		0		0		0
Total Adj		\$0		\$0		\$0
Total Adj. Value	\$	\$395,000	\$	\$349,900	\$	\$520,000

Credible CMA
with
GREAT COMPS
Communication Tool
and an
Education Tool

Residential

Subject	Comparable 1	Comparable 2	Comparable 3
			
	9311 MIGAN RD RANDALLSTOWN	4212 HERRERA CT RANDALLSTOWN	2815 LINDIN WAY WOODSTOCK
	Adj	Adj	Adj
MLS#:	BC7422484	BC7376877	BC7046832
List/Rent Price	\$395,000	\$349,900	\$559,900
Sold Price			\$520,000
Status	ACTIVE	CONTRACT	SOLD
Leg Subdivison		KRAM JAEGER	EDRICH MANOR
Contract Date		31-Jul-2010	30-Apr-2010
Settled Date		30-Sep-2010	16-Jun-2010
DOMM	5	2	366
Total Assessed	\$395,000	\$349,900	\$617,820
Lot Size (Sqft)	92,783	187,744	132,858
Fin SQFT AG			
Unfin SQFT AG			
Style	Colonial	Colonial	Colonial
Type	Detached	Detached	Detached
Year Built	2004	2000	2000
Exterior Constr	Brick	Brick and Siding, Brok Front	Brick and Siding
Total Bedrooms	5	5	4
Full Baths	3	2	2
Half Baths	0	2	1
# of Garage Spac	2	2	2
# of Carport Spa			
# of Assigned Spa			
Basement Type	Full, Unfinished	s, Walkout Level, Sump Pump	Space For Rooms, Unfinished
# of Fireplaces	1	1	2
Heat System	Forced Air	Forced Air	Forced Air, Zoned
Heat Fuel	Natural Gas	Electric	Natural Gas
Cooling System	Central A/C	Ceiling Fan(s), Central A/C	ing Fan(s), Central A/C, Zoned
Cooling Fuel Syste	Natural Gas	Electric	Electric
Exterior Features			
Property Cond		As-is condition, Needs work	Shows Well
Seller Subsidy			12,000
Total Adj	\$0	\$0	\$0
Total Adj. Value	\$395,000	\$349,900	\$520,000

What does a
CREDIBLE CMA
look like?

How to help sellers avoid OVERPRICING

- 1. Credible comps**
- 2. Credible CMA**
- 3. Educate on negatives of OVERPRICING**
- 4. Effective communication to help your message be interpreted correctly**
other things you can do...

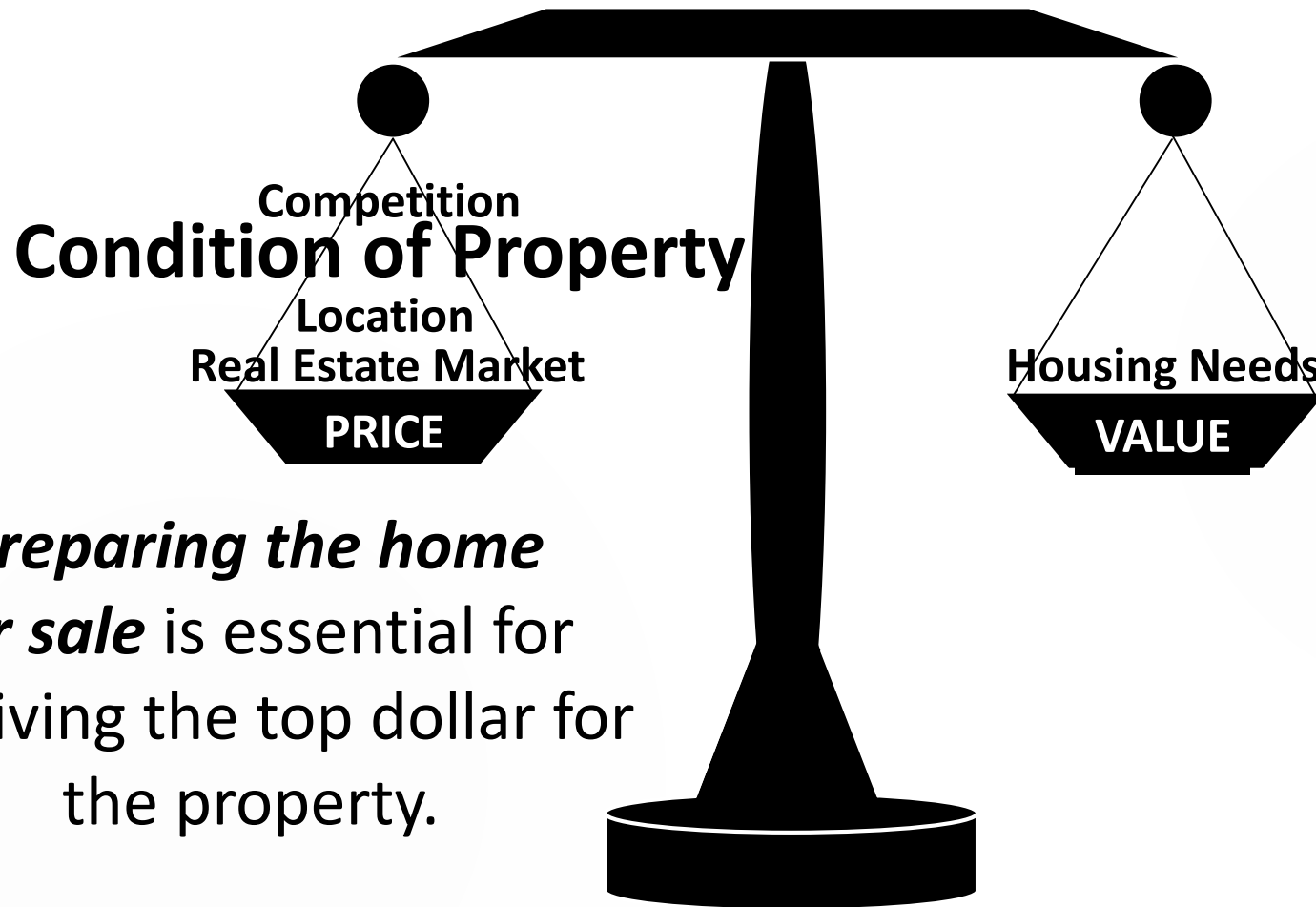
How to help sellers avoid OVERPRICING

1. Credible comps
 2. Credible CMA
 3. Educate on negatives of OVERPRICING
 4. Effective communication to help your message be interpreted correctly
- 👉 Advise getting an appraisal
 - 👉 List or not?



The 5 Common MISTAKES Sellers Make

1. OVERPRICING THE PROPERTY
2. **DISCOUNTING / NOT CONSIDERING THE HOME'S CONDITION**
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5. NOT LISTENING TO THEIR AGENT



*Preparing the home
for sale* is essential for
receiving the top dollar for
the property.

Who is the seller's competition-
Other Agents or Other Sellers?



What are elements of the property that impact the buyer's/buyers' perception/view of the condition of the property?

- Cleanliness / Clutter
- Wear and Tear
- Peeling Paint
- Cracks
- Weeds
- Odors (smoke, pets, trash)
- Insects

Other:

- Lighting
- Upgrades

BUYING

Should I pay *MORE* for a house that's already been upgraded, or pay *LESS* for one that needs upgrading?

SELLING

Should I *invest money to upgrade now*, or sell at a lower price and *leave it so the buyers can make their own choices*?

East South Central Region

<u>Mid Range – Minor Remodel:</u>	<u>Investment</u>	<u>Resale</u>	<u>ROI</u>
Kitchen	\$17,000	\$13,000	77%
Bath	\$15,000	\$10,000	66%
<u>Home Maintenance</u>			
Windows - vinyl	\$9,000	\$6,000	66%
<u>Curb Appeal</u>			
Entry Door- fiberglass	\$2700	\$1700	63%
<u>Addition</u>			
Bathroom	\$34,000	\$19,000	56%
Bedroom- attic	\$44,000	\$31,000	70%
Family Room	\$72,000	\$47,000	65%
Sun Room	\$68,000	\$30,000	44%
Master Suite	\$93,000	\$62,000	67%

What *single* improvement is the cheapest investment that offers the greatest ROI?



How to help sellers avoid
**DISCOUNTING / NOT CONSIDERING THE HOME'S
CONDITION**

- 1. Be honest with the sellers** *(Coach them to 'think like a buyer')*
- 2. Consider getting a pre-listing home inspection**
- 3. Ask another agent's opinion**
- 4. Stage the home**
- 5. Show the sellers competitive homes currently on the market**
- 6. Add a home warranty**

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Why do sellers believe they need to get involved in showing the home? **Know their home the best**

How the agent feels when the seller gets involved!



What often happens to the sale when the seller gets involved!



How to help sellers avoid
GETTING INVOLVED IN THE SHOWING

1. Educate the sellers on the pitfalls of getting involved

What are they?

Pitfall

Hard for them
to be objective

Don't take it personal, don't make it personal.

Pitfall

They may volunteer information that can benefit the buyer during contract negotiation.

Code of Ethics- REALTORS® say *a buyer's agent is not to interfere in an agent's listing.* The buyer's agent is expected to represent the best interests of their

client. **If the buyer's agent gets personal information from the seller that impacts the buyer's decision to buy, they are obligated to share this with their client.**

Sellers answer questions from other agents because they don't think they are doing anything wrong yet what they say to an agent or the buyer can have big implications.

The buyer's agent is

NOT TO TAKE ADVANTAGE OF THE SELLER,

but if the SELLER volunteers information to the buyer's agent that could help their client, the

BUYER'S AGENT IS OBLIGATED TO SHARE THE

INFORMATION WITH THEIR CLIENT.

agent:

Things a seller should NEVER talk about with a buyer:

- 1. Price** (sales price, offer price)
- 2. Why they are selling**
- 3. How many offers the seller has received**
- 4. How long the home has been for sale**
- 5. The home's condition**
- 6. When the seller would like to close**

The best thing a seller can say to respond to any questions:

“You will have to ask my agent that question.”

Have you had any offers?

“You will have to ask my agent that question.”

Is there anyone interested in your home now?

“You will have to ask my agent that question.”

***Can be AWKWARD for the SELLER. Why it's
BEST the SELLER IS NOT PRESENT DURING
THE SHOWING.***

How to help sellers avoid
GETTING INVOLVED IN THE SHOWING

- 1. Educate the sellers on the pitfalls of getting involved**
- 2. Give adequate notice of showing**
- 3. Help the sellers think through an 'Exit the Home Plan'**
- 4. Give the sellers showing feedback**

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It's Called MISREPRESENTATION

Intentional Misrepresentation (Fraud)

Knew of a problem and concealed it.

Unintentional Misrepresentation

A problem existed but the agent didn't know it existed.

CAVEAT EMPTOR: seller-broker-agent Let the buyer **BEWARE** isn't just about the buyer anymore!

MOST COMMON REAL ESTATE PROBLEMS

Fraud
Negligence
Breach of Duty
Breach of Contract
Consumer Protection Act
Earnest / Escrow Money Dispute
Bodily Injury / Property Damage
Misrepresentation- Flooding / Leaks
Misrepresentation- Value of Property
Misrepresentation- Condition of Property

Most **Misrepresentation** is **UNINTENTIONAL**

*How to help sellers avoid
FAILURE TO DISCLOSURE PROBLEMS WITH THE
PROPERTY / PROPERTY HISTORY*

- 1. Advise to be thorough when completing the Disclosure Statement**
- 2. Validate Completed Work** - i.e., repair receipts, contractor work receipts, expert statement.

If work is to be done-
have a copy of the
bid/work order(s)
available.

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5. **NOT LISTENING TO THEIR AGENT**

WHY would sellers choose to
NOT LISTEN to their agent?

Sellers DO NOT need
you for them to sell a property, **SO,**
***why would they choose you to do
something they can do themselves?***

They see VALUE in
you & your services.

What VALUE?

Why you over the hundreds of other agents?

What can you do better than the seller

in respect to selling for the highest price, shortest time, and least inconvenience?

How do you prove it?

How to help sellers avoid
NOT LISTENING TO YOU- THEIR AGENT

1. Educate – Educate - Educate

On what you do to help them sell their property and represent them.

How to help sellers avoid
NOT LISTENING TO YOU- THEIR AGENT

1. Education is POWER

*How to help sellers avoid
NOT LISTENING TO YOU- THEIR AGENT*

1. Educate – Educate - Educate

2. Use Visuals

Picture is worth a... **\$1,000**

*How to help sellers avoid
NOT LISTENING TO YOU- THEIR AGENT*

- 1. Educate – Educate - Educate**
- 2. Use Visuals**
- 3. Engage them in your presentation**

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COACH THEM:

On your value.

The price / value relationship.

**The negative impact of
overpricing.**



Use a *VISUAL*
PRESENTATION... with
pictures and charts to
SUPPORT YOUR
MESSAGE.





Disclose now

or

PAY LATER

Remember Receipts



GOOD SELLING