

Why the Best Buyers fear the "For Sale by Owner"

Some homeowners choose to sell their properties without the aid of a real estate firm. These sellers, known as "For Sale by Owners" or "FSBO's" often attempt to maximize their net proceeds by selling their properties by themselves. Of those that begin their sales efforts "FSBO," a small percentage are successful in selling their properties.

Interviews with those FSBO's that were successful achieving a sale reveal that about half say they would hire a professional if they were to sell again. About a third claimed they were dissatisfied with the results of their transaction.

To better understand why so many FSBO's fail, we must take a look at what they are up against. Let's examine the transaction from the FSBO customer's perspective, the buyer.

The prime buyer that every Seller is looking for is the person or family that has great credit, cash, is pre approved for their loan, is serious about moving soon and willing to pay a fair price. Almost all of the prime buyers that meet this profile are going to enlist the FREE services of a professional real estate agent to assist them as their first step.

Now, the easiest properties for the agent to identify and show will be those listed in the Multiple Listing Service (MLS). The MLS is a database of all available properties listed by cooperating brokers and almost always represent the bulk of available properties. Since FSBO are not listed in the MLS they must rely on newspaper ads, a for sale sign, or maybe even an obscure web page. Unfortunately, because of effort and time restraints, these methods will seldom attract the attention of an agent and or the prime buyers. Consequently the FSBO may never even be considered.

Prime buyers now working with an agent; tend wonder why an owner would represent himself or herself in a complex transaction. Generally, it concerns them enough to avoid the FSBO.

The attention the FSBO will attract, will be the neighbors, curious passerby's, and investors. Even with limitations on exposure to prime buyers, FSBO's will generally have more showings than properties listed in the MLS by agents. Why? Because they will be showing to anyone interested, instead of buyers that are already pre-qualified. Curious neighbors and passerby's add to the wear and tear of the FSBO, but are nothing compared to the dealings they will face from the "investors."

Investor buyers do not fear the FSBO, quite the contrary, they seek them out. Investor buyers like the absence of a protective agent and the ability to negotiate directly with the owner who usually is well, naïve about real estate transactions. Unlike the prime buyer looking for a nice place to live, the investor buyer is looking for a good deal and a profit. The brokerage the FSBO was hoping to save is an immediate discount assumed by the investor buyer. You see, the buyer of a FSBO wants to save the brokerage too. The investor buyers can be very difficult negotiators because they are motivated by profit.

Half of the successful FSBO's have concluded that the time, work and frustrations involved in selling their property were not worth what they might have saved. If they had it to do over again, they would prefer to enlist the efforts of a professional agent. However, it does work for some folks. Before making a decision for yourself, you may want to consider;

Do I have the time, energy, know how and wherewithal to commit to a full out effort to sell your property?

A maxim in real estate *"If they don't see it they won't buy It."* means you have to be ready when the buyer is ready, second chances are rare. Will you be available 7 days a week to show your property? Will you be able to accommodate a showing while you are at work? Do you know how to work with a buyer? Will you be able to handle buyer's objections? Can you help the buyer feel at ease? Do you know when and how to ask a buyer to buy?

Do you have an in depth knowledge of financing options?

Most buyers need help to finance a property, and suggesting the best options makes your property affordable and possible. Will you be able to help a buyer with financing questions? Can you assist the buyer in getting a mortgage? Can you pre-qualify a buyer for a mortgage? Are you well versed on creative financing options?

Are you prepared to deal with the investor buyer and their low ball offers?

Dealing with low offers and persistent negotiators can wear you down. If you are not careful, you could end up netting much less than you could with professional assistance. Do you have the negotiation skills to win? Do you know how to recognize a serious purchase contract from one that is meant to tie you up and gain future concessions? Will your buyer perform as expected?

Do you understand the legal issues regarding the sale of your home?

It is hard to imagine any outcome more disheartening and expensive than ending up in court. Sometimes simple omissions or unwitting statements put you in harms way. Do you know how to make the proper disclosures required by law? Are you well versed in preparing legal documents? Do you know what steps you must take to avoid future lawsuits? Do you have a competent legal advisor and knowledge of their fees?

Do you have the ability to help the buyer work through difficulties?

Many times deals get started that never complete. It is imperative that you follow up on each detail and assure each issue is resolved to avoid delays and dissolution. Can you handle objections before and after the contract with diplomacy and grace? Can you convince a buyer to continue without giving away the farm?

Do you have reliable vendors lined up to assist?

There are many vendors to select from and all must perform well and on time for a successful closing. Have you selected the right team of attorney, title, and inspectors? Choosing one wrong team member may cause delays, frustrations or even dissolution of the transaction. Will your vendors show your "one time transaction" the care it needs?