

REAL ESTATE

February 2007

THE REAL DEAL

Real Estate News You Can Use

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FSBO Fallacies

Unlike in other parts of the country, for sale by owner (FSBO) properties are relatively minor factors in the Westport/Weston real estate market.

Despite this, a new crop appears every month as sellers who wish to go it alone look to be the exception to the rule that, locally, over 90 percent of FSBO properties do not sell "by owner" – and are ultimately listed/sold by real estate professionals.

In recent discussions with clients looking to buy homes – as well as with private sellers whose FSBO properties could potentially fulfill my clients' needs – I have seen first hand a wealth of incorrect information about FSBOs circulating in the local market. The purpose of this column is to clear up some of the most commonly-held fallacies on this topic.

There are three major misconceptions on the part of sellers:

1. *Selling "by owner" is easy.* This could not be more untrue, unless you own a property that's in high demand and low supply – like a flat, dry acre in a prestigious area of Westport, or a house in the Compo Commons subdivision. My column entitled "The FSBO Experience" describes why selling privately is so difficult.

2. *"I'll net more if I don't use an agent."* Wrong again, on three counts. First is that the odds are against selling privately at all around here, without multiple listing. Second is that since you don't sell houses for a living, you are ill-prepared to know what your property is worth. Very few owners know the magic list price and price adjustment strategy that will bring the maximum net to the closing table. (Roughly as many owners price too low as too high.) Lastly, not having

an innate feel for current market conditions and perspective from many past deals, private owners cannot negotiate as powerfully as a knowledgeable, skilled and experienced agent can do on your behalf – even if you negotiate deals day all day long in your own profession.

3. *A real estate commission will not have to be paid.* This is probably the biggest fallacy of all – and the State of Connecticut is responsible for the bad news here. By law, buyers working with brokers are required to sign legally-binding "buyer agency agreements" before brokers can show them multiple-listed properties. These agreements authorize the brokerage to collect the commission offered on a multiple-listed property bought by the buyer. As importantly, they obligate the buyer to pay a comparable commission if the buyer purchases privately from you.

By custom, sellers pay all commission due in a transaction, including the portion due to the broker representing the buyer. Buyers do not expect to shoulder this cost. If you as a FSBO are not willing to pay the selling broker commission (generally about half of the total commission payable when you list), your buyer will have to pay it. This will not go over big. Your buyer will not be happy. And your deal will be at high risk of falling apart.

The only way to avoid paying a commission on the sale of your home is to sell to a buyer who is not represented by a broker. But since most serious buyers are represented, that could be very difficult.

There are two major fallacies held by buyers:

1. *"I'll get a better deal if I buy a FSBO rather than a listed property because the owner doesn't have to pay a real estate commission."* Again, untrue, since owners tend to overprice...you cannot negotiate as effectively as a broker can do on your behalf...and, under the terms of your buyer agreement you will be responsible for paying your broker's commission if

the seller is unwilling.

Sadly, people who purchase FSBO properties without a broker's involvement frequently pay much more than they should.

2. *"If I want to look at a FSBO, I should keep my broker out of it."* Not only would this be extremely unwise – there is also no reason to do this. In 99 out of 100 cases, your broker will be able to convince a private seller to cover the commission due on your purchase. So you'll be off the hook there. However, the time to bring your broker along is the very first time you look at a FSBO. If you go alone and the seller senses that you really want to buy the property, your agent's leverage after the fact in getting the commission paid will be significantly diminished.

Further, your broker will be much more skilled at negotiation than you are – both in terms of reaching a favorable deal for you as well as keeping the deal together once an offer has been accepted. Most importantly, you will enjoy the enormous advantage of being represented by a professional while the other party is not.

Based on all of the preceding, many agents consider FSBO properties to be a major nuisance. However, those who are committed to being true advocates for our buyers will include FSBO properties among the choices that we present to our clients. In doing so, we strive to be respectful of the seller's choice while working as strongly as possible on our buyers' behalf.

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