

Location, location, location! Oh, and timing... pricing...and personality...

So why don't private sale, For-Sale-By-Owner (FSBO) homes sell?

And if they do, why do they often sell for much less than the asking price?

The only private sale homes that sell quickly are those that are in the right location, up for sale at the right time of year, and are priced correctly. You also throw in another important factor: the owner knows how to sell.

For example...

The best private sale I have witnessed was a home on the main street of our town. The owner was a local retailer. Let's call him Fred.

Fred used a private selling franchise for signs but didn't buy any other packages which would have included website, pictures, marketing, etc., just the signs.

Fred then priced it exactly the same as the house three doors down--a property listed on the MLS® with an agent--which was similar, though Fred's place had more upgrades. It was mid-May and all Fred's wife's spring flowers were coming out in bloom and the average daily temperature was around 20 degrees.

Being on the main street, of course, there was lots of traffic and most of the town, as well as commuters, traveled by Fred's house within the first week of the sign being erected. Fred had taken two weeks off from the store so he was available to show people the house any time of day or night. He enjoyed dealing with people, was, in fact, used to it as a retailer. He took complaints and criticisms in stride, and allowed visitors to browse around, before giving his closing sales pitch just before they left, along with a fact sheet he'd typed up on his computer showing room sizes, taxes, etc.

In the first week, over 30 couples viewed the home. During that week, he received three phone calls from Buyers stating they were considering making an offer on the house. He decided to have them all submit any offers to his lawyer's office by fax or email and on Friday night, he and his lawyer would sit down, discuss each offer, and choose one.

On Friday morning, he told all three Buyers that they were competing for the house and that he and his lawyer would make a decision by 8pm Friday. They had one more chance to alter their offers if they so desired.

When Fred and his lawyer looked over the offers, they were thrilled to see that two were at exact list price (the third was \$10,000 below list price). One offer came from a couple who were willing to move in within 30 days. He chose that offer.

Total cost to him?

The lawyer's fees for a couple hours advice, plus his regular fee for doing the closing paperwork. It came to about \$2200.

Fred found out later that his house had sold for about \$8,000 less than the listed one down the street, but he figured he'd saved about \$18,000 in commissions.

Wouldn't you like that kind of an experience? Save thousands in commissions and have things go that smoothly.

Unfortunately, in my ten years in this business, Fred is the only guy I know who had that kind of success.

The reason is that most homes aren't in the perfect location, aren't priced properly, aren't timed properly, and perhaps most importantly, the Sellers aren't very good when it comes to dealing with people traipsing through their home day and night, making derogatory comments and finding things wrong with the house.

If your home is deep in a suburb that is mostly residential, how are people going to see it?

These days, 98% of Buyers search for homes on the internet. They rarely drive around a neighbourhood looking searching out For Sale signs. And even if they do, most Buyers see a For Sale by Owner sign, get nervous, and call their agent to set up a viewing. (Just in case you weren't aware, an agent's services to a Buyer are completely FREE of charge. More on that later.) Most Buyers don't want to deal with a home owner, no matter how nice you are. It demands a high level of trust and there are too many emotions involved.

"But the FSBO companies put my house on the internet where people can see it," you say.

In the City where I live, there are more than ten private selling franchises that offer services to private Sellers. They all have websites. Admittedly, there are perhaps three that stand out amongst the rest, and they offer varying packages which include signage, photography, virtual tours, advice on marketing, and even access to the MLS® through relationships with brokerages.

But think about the Buyer for a minute. Statistics from the Canadian Land Registry site, Teranet, clearly show that most homes for sale are listed by agents which means they are all on the MLS® website, www.realtor.ca. Statistics from Google® concerning real estate searches show that Buyers almost always go there first, even if they haven't hired an agent yet.

If a Buyer finds houses they like from the hundreds listed on the MLS® they choose a few and either hire a Buyer's agent to show them, or they set up the showings themselves with the Selling agents for each home. (After about a week of this, most Buyers hire an agent; it's a lot easier.)

They may look at the private selling franchise websites only after they've exhausted the MLS®. But they have to look at each one individually because none of the private Sellers work together. With a little luck and a lot of persistence, maybe they'll find your house and a couple of others they like.

Now they have to call each owner, individually, and set up a time to view the house. Most agents are reluctant to show Buyer's private sales, despite it being their duty to do so. It's time consuming, they have to negotiate commissions, and most agents will tell you private sale homes are almost always overpriced. (There's a reason for that which we get into later.) Every agent I know rarely searches the private sale sites. The good ones will show a Buyer a private sale but only if the Buyer finds it and brings it to their attention.

So, back to our Buyers. They are now looking at three private sale houses they want to view.

On the first call they make, the owner works all day so there are no showings till after 6pm.

The second call they make, the owner doesn't like to be disturbed at night (they have a young baby) so only showings throughout the day please.

And then they call you. You had a golf game planned Saturday but these people want to see your house at 11am. You ask them to come Sunday instead. They agree but have set up the other two for Saturday morning and Saturday evening respectively. To come again on Sunday means another trip out but you talked them into it. What a salesperson!

Saturday is a warm, sunny, spring day. You have a great golf game.

Sunday comes and no one shows up. You're annoyed so you call them (you had their number on your call display).

"I'm sorry," they say. "We liked the second house and put in an offer last night. Forgot to call you to cancel. By-the-way, how did you get our number?"

"&%\$#!" you say.

And this goes on and on, day after day, until you decide enough is enough. You call an agent.

The agent does his thing, the house gets sold in a week, and you're ready to move on, albeit after paying out \$12,000 in commissions.

Was that agent worth \$12,000?

Only you can answer that. It's your life. And you *do* love your golf on weekends.

Of course, reality is somewhere in the middle of these two examples.

Some Sellers do buy the private Seller packages and do a decent job of attracting potential Buyers.

Some print up professional flyers showing facts and stats about the house, along with professional pictures.

Some perform open houses every weekend, put signs up on every corner, and experience a ton of visitors.

Yet others will go as far as to make sure they are available most of the day and night for showings.

The smart ones do their research and price the house similarly to what others in the neighbourhood are listing for, regardless of what they think it's worth.

And the really smart ones pay the extra few bucks to get their private sale listed on the MLS®.