

FINE WHINES

- Vintage House Selling Laments

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There are usually at least two sides to every story. A policeman friend of mine recently corrected that long held belief of mine. He said that in his experience when there are two parties with different opinions about something, or at odds over some issue, accident, disturbance, or crime that he has been called upon to referee, he will listen to one party's side of the story, then listen to the other party's side of the story, and then seek the actual truth with independent investigation of the facts and evidence.

Though that may sound like he is implying that one or the other or both parties were lying – that's not necessarily the case – it's just that we all sometimes “see” or “hear” or “experience” things in a way that are “colored” with our own filters. This may be especially true when we have something to complain or “whine” about – when things aren't going our way.

Sometimes when we feel like we have a pretty firm grasp of the obvious, our hopes and dreams, and desires and needs create a hazy atmosphere that we get trapped in and no matter how logical we feel we are behaving, we drift away from reality and start operating in a fantasy world. This phenomenon is readily apparent when dealing with people who are in the beginning stages of the process of selling their homes. And, not unlike the drunk who is confronted with going the wrong way down a one-way street, people sometimes get a little agitated when someone tries to help them and set them on the right path.

When home sellers are confronted with the facts and evidence pointing to the real current market value of their property, disappointment can quickly turn into emotional and illogical disbelief and sometimes, anger.

Here are a few examples of some of the whining this 17 year veteran of real estate sales has heard from prospects, customers and clients:

Number one: “I’M NOT GIVING THIS F___KING PLACE AWAY”.

Though nobody has suggested that anything be given away, that’s what they say. Selling real estate at its current fair market value is simply a reality – based on facts and evidence (known as a Comparable Market Analysis (CMA) or better yet, an appraisal). These facts include an objective observation and analysis of the property under consideration and then comparing it to similar properties that have actually sold – preferably during the last six months and within a two- mile radius. If no comparable sales are available that meet that criteria, then all criteria is slowly broadened until some data appears. And then appropriate adjustments and corrections are made.

“Well, we need to net that much so we can buy the new house that we want, and have enough left over to take that trip we’ve always dreamed about around the world”.

What you and I want and dream of, unfortunately, sometimes has nothing to do with reality. Many people that were successful and lucky enough to achieve the dream of homeownership many years ago, are now ready to cash in on their secondary hope that the dream would also prove to be a good investment. Unfortunately, due to the real estate market bubble bursting in 2007, that hasn't played out the way we all hoped for. For those wise enough or lucky enough to sell their properties at the peak of the market and move into a cheap rental for a couple of years, the market worked perfectly. Just like stocks and bonds, buying low and selling high is the trick. Big difference though - we don't live inside of stocks and bonds. Houses aren't really investments, they are places to live in, provide shelter from the elements, raise families, and experience whatever life has to throw at us. So you've done that already and now it's time to either stay put, and keep riding the wave, or to sell and move on the next chapter. But selling now means selling at CURRENT FAIR MARKET VALUE, based on comparable sales.

“BUT WE SPENT THOUSANDS OF DOLLARS IN ‘UPGRADES’ IN THE LAST TWO YEARS. WE NEED TO RECOVER ALL THAT MONEY IN THE SALE PRICE”.

Well, the reality is that houses that are ten, twenty and thirty years and older, require upkeep, cleaning and replacement of just about everything. Like it or not, this is called routine maintenance – not home improvements or “upgrades”. Houses depreciate in value with time – every year. The service life of every component of the house only gets shorter and shorter – every year. Those two factors cause the current market value of every home to decrease – every year. This is called depreciation. The counteracting phenomenon that is supposed to be one of the things that makes homeownership so attractive is the theory of appreciation – the hope that market values increase just like a good investment over time based on the overall economy.

Well, as we all learned in 2007-2008, real estate values also come down – way down. And, as is currently the case, values sometimes take a long, long time to recover – much less reestablish at the highest previous level.

Maintaining, cleaning, repairing, and replacing everything in a house: well, septic, roof, windows, window treatments, flooring, counter tops, bath and kitchen remodels, appliances, HVAC systems, plumbing systems, painting, everything inside and out – it is all just routine maintenance.

“WE CAN ALWAYS DROP THE PRICE LATER IF IT DOESN’T SELL”

Sounds logical, but it doesn’t take into account some of the psychology of home sales. Before seeing your house, prospective buyers are going to have selected a real estate agent. That real estate agent has access to the same information that you and I have about comparable sales and the fair market value of your home is likely to be. The only thing they don’t have is a first-hand look at your home.

Real estate agents, and to a lesser degree, prospective home buyers, are already going to have a pretty good idea of where your home should be priced. If you are significantly (more than 10 or 15 percent) over that, they

will instantly write you off as unrealistic and poorly motivated. Chances are, they won't even bother looking.

The pricing history becomes part of the record in the multiple listing system (MLS). When you lower the price, agents usually check to see what, if any, pricing history there may be. If they see a price drop, or especially multiple price drops, they know that the seller has been unrealistic and probably did not follow the advice of their listing agent. **THIS HAPPENS ALL THE TIME!**
- STOP IT! - IT DOES NOT WORK! – IT IS COUNTER-PRODUCTIVE!

It is also likely that during the time period that this little game or experiment is playing out, perfectly capable and likely buyers have moved on and purchased something else.

“WE WANT TO START OUT ON THE HIGH SIDE – TO LEAVE ROOM FOR NEGOTIATION. AFTER ALL, EVERYONE IS MAKING LOWBALL OFFERS THESE DAYS”.

Same flawed logic as above. You are not going to have anyone to negotiate with!

Alternatively, if you price your home at the current market value, you may generate lots of interest, a rush of showings and maybe even multiple offers resulting in a bidding war. Now you can negotiate: upwards!

And then, of course, there is the inevitable:

“ARE YOU WILLING TO NEGOTIATE ON YOUR COMMISSION?”

My response:

“Sure, how high did you want to go?” “I was planning to offer you a commission rate of 6% of sale price – to be split 50/50 with the buyers’ agent.” “I don’t really like to charge more than 9% - but what number are you comfortable with? How high do you want me to go?”

Nobody likes a smartass do they? But what is really being asked is: “Will you and the buyer’s agent suffer along with me and work for less than you normally do – so I can put more money in my pocket?”

We are disappointed right along with that your house isn't worth more money – so we're already taking the same hit you are. And, if you really think we should work for less – is it also OK if we work less diligently to get the best price possible in the shortest period of time?

Do you really want the person that is representing you, your agent, to be someone who readily reduces their price? What happens when that agent is involved in the discussions and negotiations about the price of your home? Do you want an agent who is ready, willing and able to lower the price just to get the deal done?

Full time professional REALTORS® who are entrusted to sell homes for the best price possible in the shortest amount of time possible do not cut their commissions.

DISCLAIMER

John P. Hale is a licensed real estate agent in Maryland and Pennsylvania. He is affiliated with 7 c`Xk Y`6 Ub_Yf Residential Brokerage in Westminster, Maryland. John has been licensed since 2000 and also practiced in Tucson, Arizona for many years. Mr. Hale holds the following designations and certifications awarded by the National Association of REALTORS® (NAR) and other authorized institutions: ABR-Accredited Buyers Representative, AHWD-At Home With Diversity, CNE-Certified Negotiation Expert, CRMS-Certified Risk Management Specialist, CRS-Certified Residential Specialist, CTA-Certified Tourism Ambassador, e-PRO-Online Real Estate Practice, GRI-Graduate of Realtor Institute, MRE-Master of Real Estate, MREP-Mortgage Real Estate Professional, and MRP-Military Relocation Professional.

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