

14

Costly Mistakes Home Sellers Make

And How To Avoid Them!



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A Special Report prepared by Frans J Roos broker owner at Property Services

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Introduction

Selling your home is a major, life-changing decision. It can be a bit scary and overwhelming when you start the process. In theory, it sounds fairly clear-cut: just put up a "for sale" sign on the lawn, advertise in the local newspaper, and if all goes well, you will have several potential buyers lined up to make offers.

The reality is, selling your home involves more than that. Today's market is extremely competitive. Through the Internet, buyers can preview hundreds of homes at their leisure. Attracting the attention of the right buyers requires careful planning.

If you are thinking of selling your home, I'm going to assume three things about you:

- You want to get the highest price for your home possible.
- You have a particular time frame in mind to sell your home.
- You want the process to be as hassle-free as possible.

The purpose of this guide is to help you avoid 14 common mistakes sellers make when listing their home for sale. These 14 mistakes are the main reasons why sellers don't get the highest price for their home, can't sell within their time frame, or experience problems during negotiations and closing.

Who Am I?



You may be asking, "Why should I listen to you?" Let me introduce myself. My name is Frans Roos and I specialise in helping home owners sell their homes quickly in the Stilfontein and Klerksdorp areas.

I have been in the real estate selling business for the last 20 years and have assisted many home sellers to sell successfully.

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About This Guide

I've worked with a lot of sellers over the years, and I have seen many deals almost fall apart because of these costly mistakes home sellers make. To help you avoid those pitfalls, I've written this guide especially for home sellers.

This guide is broken down into five main sections. Each section discusses the kinds of mistakes sellers make throughout the selling process. These include:

Chapter 1: Seller Strategy Mistakes focuses on your motivation for selling and how to price your home right to sell, based on your time frame.

Chapter 2: Home Preparation Mistakes will help you evaluate which home improvements will add the most value to your home, how to stage your home, and how to prepare for open houses and showings.

Chapter 3: Marketing Mistakes talks about ways to market your home to attract the most potential buyers.

Chapter 4: Negotiation Mistakes tackles key issues that may arise during when closing the deal.

Chapter 5: Agent Mistakes discusses how to interview and choose the right agent to help you sell your home fast.

Seller Strategy Mistakes

Mistake #1 - Not Clarifying Your Reasons to Sell.

Why do you want to sell your home? The reasons why someone may want to sell their home fall into two categories: necessary sales and optional sales.

For some people, selling their home is a necessity. They may need to relocate for a job, are going through a family transition such as marriage or divorce, or are facing bankruptcy. In these cases, if they don't sell their home, something bad might happen. For instance, they won't be able to afford two mortgages, they might end up living with their ex-spouse, or they might ruin their credit.

For other people, selling is optional but desired. These types of sellers want a lifestyle change. They may think their home is too small, be unhappy with the neighborhood, or want to live in a better school district. In these cases, nothing bad will happen if the home owner doesn't sell their home. They just want to make a housing change.

Are you a necessary or an optional seller? If you fall into the "optional seller" category, ask yourself: Do I really want to sell my home? Sometimes, selling isn't the best option. Here are some things to consider:

- **Do I like this neighborhood?** If you like your neighborhood, consider other options to selling your home.
- **Would adding on new rooms or remodeling be a better option?** Renovating your home is often cheaper than paying the sales commissions, closing and moving costs involved with selling a home.
- **Do I have enough space for an addition?** Do you have enough land to add on additional rooms or features?
- **Would home changes make your home easier or harder to sell?** For any home changes you make, consider how they would impact your decision to sell later on. For instance, would your renovations be too elaborate for your current neighborhood, making it difficult to recoup your improvement costs?
- **Do you need permission to remodel?** Some communities require you seek approval before making any major renovations to your home.

Selling your home is a big decision, and how motivated you are to sell will influence nearly every decision you make regarding successfully marketing your home.

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Exercise 1.1 - How Motivated Are You To Sell?

- ✓ *Are you a "necessary" or "optional" seller?*
- ✓ *List your three primary reasons for wanting to move.*
- ✓ *If you are an "optional" seller, have you considered remodeling or adding on to your current home?*
- ✓ *On a scale of 1-10, rate how motivated you are to move.*

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Mistake #2 - Underestimating Your Competition

This is an uncertain time to buy or sell real estate. Every day, another story appears in the newspaper about people who are losing money on their current home, facing foreclosure or not getting credit to buy their next home.

The good news is that even with all the doom-and-gloom abound, people are still buying and selling homes. The real estate market might slow, but it never stops. There will always be a supply of buyers looking for their next home.

If you want to sell your home in this market, you have to look at who your competition is and position your home to stand out. You may not be able to control the market conditions, recent property values, or your competition, but you can control your home's price, condition, marketing and contract terms. In other words, the better you position your home as a "great value" to prospective buyers, the more likely you will sell.

In order to determine what makes a home in your neighborhood a "great value," check out your competition. Buyers will look at other comparable houses in your neighborhood whether you like it or not. It's your job to tell them all the benefits they will receive if they buy your house. Here are some tips for evaluating the competition.

- **Drive around your neighborhood.** Who is the competition on your block? In your neighborhood? Check out their open houses. View their property listing on the web or portals like Property 24. What features are they advertising? How are they presenting their home during showings? What improvements have they done?
- **Identify your house's benefits.** Make a list of the ten best things you like about your house. What are the perks? Have you recently done any remodeling? How is the school district? Are you located in the heart of a city or near a metro station? What features are unique to your home? How is the neighborhood?
- **Identify the house's problem areas.** It can be difficult for sellers to emotionally detach from their home to look at it the way buyers will. Walk across the street and really look at your home as if you have never seen it before. How does the exterior look? What flaws do you see? Now, walk inside and go from room to room. What are the problem areas?
- **Consider getting an appraisal done.** A home appraiser can point out problem areas that potential buyers are likely to notice. Getting one done before you list your home on the market can help you decide what is a "must fix" and what improvements would be "nice to do."

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Exercise 1.2 - Preparing Your Home to Sell.

- ✓ *Drive around the neighborhood and identify your competitors. Make a list of the pros and cons for each home just like potential buyers might.*
- ✓ *Have 2-3 real estate agents prepare a CMA for your home. Which homes sold in the last 30 days? Which homes failed to sell? What were the pros and cons of each?*
- ✓ *List the top ten things you love about your home.*
- ✓ *Identify any major problems or flaws your house has. Which are required by law to fix? Which can be fixed quickly and cheaply? Which require a substantial time and/or money investment?*
- ✓ *Consider hiring a valuer to point out any flaws you might have missed.*

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Mistake #3 - Overpricing Your Home

One of the biggest challenges home sellers face is how to price their home. If you have decided to sell, you probably have a number in mind that you would like to get. Perhaps that number is based on what you paid for the home, how much you need for a new home, or what price your neighbors got for their home.

The harsh reality is that none of these should factor into how you price your home. It doesn't matter what your neighbors' home sold for six months ago. What matters is what similar houses in your market are selling for now.

You have probably spent a lot of time, money and energy transforming your house into a home so it is perfectly understandable that you are emotionally invested in its sale. Unfortunately, potential buyers don't feel the same way.

How to Determine the Right Price for Your Home

Pricing your home is both an art and a science. It is based primarily on the current real estate market, but it also takes into consideration market movement, demand, the home's location and its condition.

The "right" price is often a moving target. It involves comparing similar properties, taking into account key differences between them, and tracking whether prices are rising or falling in your market.

A good place to start is to ask several real estate agents to give you a Comparable Market Analysis (CMA) for your home. This report lists how many houses in your area have sold in the recent past, what buyers paid for properties similar to yours, which houses are currently competing with yours for buyer attention, and which properties failed to sell. By focusing on the statistics, you can stay objective when determining a listing price for your home.

Keep in mind - the price you set will be an educated opinion based on all the data you have available to you. Even if you get your house appraised, no one will give you an exact figure. No home appraiser or real estate agent will tell you, "Your home is worth exactly R 634,947." Nor will two real estate agents or home appraisers price your home in the same way. Instead, they will give you a price range based on other comparable homes in your area.

The Dangers of Overpricing Your Home

The absolute worst thing you can do is overprice your house from the start. The first two weeks after a listing is placed on the internet are the most important because that is when your house generates the most excitement and activity. If your property enters the market overpriced, serious buyers will overlook it because it is out of their price range.

By the time you reduce the price; many potential buyers will have already found another home. Other buyers will wonder why your home has sat on the market for so long. Does it have major flaws?

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Won't They Make Me an Offer?

You might be thinking - if they like the home, won't they just make me an offer? In most cases, the answer is no. They won't even be looking at your home because it was initially priced outside their range. Why should they check out your home when they already know they can't afford it?

On the other hand, what will you do if a buyer submits a lowball offer? Many sellers feel insulted when a buyer tries to significantly discount their asking price and immediately reject the offer.

I Have Time to Wait

If you aren't in a hurry to sell your home, you may be considering listing at a higher price and hoping the market takes an upturn. This is almost never a good strategy for two reasons.

- 1) Prices may continue to drop, causing you to lose more money. For instance, you list your home at R 250,000 when comparable homes are selling for R 225,000. A few months later, you decide to reduce your price to R 225,000 - but now, home values have declined and comparable homes are selling for R 210,000. Your home is still overpriced for the market.
- 2) People prefer to look at "brand new" listings rather than "stale" listings other buyers have rejected. If a listing is on the market for several months, buyers wonder what is wrong with it.

If selling your home isn't an urgent need, consider your motivations for putting it on the market now. Is this the right time for you? What do the market trends look like? Are home prices rising or falling in your local market? If you wait six months or a year, will you likely get a better price for your home? If you think the answer is "yes," consider waiting to list.

What If I Price My Home Too Low?

Another fear sellers have is pricing too low. Potential buyers and investors are always looking for a "good deal." When a home is listed at below market value, it gets a lot of people's attention. Those who are serious about buying will quickly make an offer to snap up the property, and there is a high probability that you will receive multiple offers to drive up the price to market value.

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Exercise 1.3 - Pricing Your Home to Sell.

- ✓ *Have 2-3 real estate agents prepare a CMA for your home. Which homes sold in the last 30 days? Which homes failed to sell? What were the pros and cons of each?*
- ✓ *Check out real estate websites like Property 24 and Private property for an estimate of what your home is worth.*
- ✓ *Choose a price based on the condition of your home and the selling prices of comparable homes in your market over the last 60 days. If you decide to work with a real estate agent, ask them for a price range for your home.*
- ✓ *If your home has been on the market for longer than 30 days and you aren't getting many showings, consider reducing your price.*

Home Preparation Mistakes

Mistake #4 - Not Preparing Your Home For Sale

With so many homes currently on the market, today's homebuyer can afford to be choosy. If you want to get the best price possible in the shortest amount of time, doing some initial work to unclutter and update your home is a must.

Sometimes, all it takes is a few simple changes to prepare your home for sale, such as cleaning, repairing anything that may be broken or giving your walls a fresh coat of paint. Other times, you may consider investing in larger upgrades such as new kitchen counters or windows.

If you are considering selling your home, visit some open houses in your neighborhood to see what other homes look like. These are your competition. What improvements might be necessary to make your home as attractive as possible compared with other homes on the market?

First impressions matter, so consider what buyers see when they drive by your home. This is "curb appeal." How your home looks from the outside will determine whether potential buyers even get out of their cars to look inside.

Here are a few ideas for improving your exterior appearance:

- Sweep the front walkway
- Remove clutter such as toys, bikes and extra cars
- Trim the shrubs
- Consider applying a fresh coat of paint
- Clean windows, roof and gutters
- Mow the lawn and plant flowers
- Clean up after pets

Next, consider what buyers will see when they walk inside. Here are a few ideas for preparing your interior.

- Make sure your appliances work
- Check your plumbing and fix any leaky faucets
- Thoroughly clean your kitchen and bathroom
- Check your sealant on windows, bathtubs, shower and sink
- Clean your carpets and vacuum
- Straighten closets and put toys, clothes and dishes out of sight.
- Consider putting excess furniture and fixtures in storage to give rooms a spacious feel
- Remove family photographs and other personal items
- Fix squeaky doors
- Remove pet odors and toys

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How a home is marketed is completely different from how someone might live there. Potential buyers need to see themselves living in the homes, so create an environment where buyers feel they can "move in" now. Minor things matter, so try to get an outsider's perspective, such as your real estate agent, to help you identify problem areas you might have overlooked.

Exercise 2.1 - Preparing Your Home.

- ✓ *Have you de-cluttered and prepared the house's exterior to maximize curb appeal?*
- ✓ *Have you fixed any leaky faucets, squeaky doors, and other minor nuances?*
- ✓ *Have you cleaned, de-cluttered, and prepared the house's interior?*

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Mistake #5 - Over-Improving Your Home

It can be easy to get caught up in improving your home, especially if you think adding improvements will add to the home's value, but be careful that you don't over-improve the house for your neighborhood.

Remodeling your kitchen may seem like a good investment, but if all the homes in your area have modest kitchens, you might not get your money back at resale if you add brand new appliances and granite countertops.

The improvements you do make should place your home on par with other homes in the neighborhood, but don't try to improve your home so it is the most expensive house on your block - you will never recoup your investment.

Consider getting a second opinion before you do any major renovations or improvements. A good real estate agent or home stager can help you decide which are most likely to add to your home's sales price and which may cost more money than you can get back.

Exercise 2.2 - Improving Your Home

✓ *Have you gotten a second opinion about whether those major upgrades and remodeling ideas will add to your final sales price?*

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Mistake #6 - Forgetting about Safety or Legal Issues

If your home does have flaws, be upfront and disclose them to your real estate agent. Many states require the seller to disclose any knowledge of existing problems before the buyer purchases the home.

It's common for homes to be inspected for health, safety, and environmental issues before a sales contract is signed. If your home does have major problems, you won't be able to keep them a secret, and by not disclosing them, you may be breaking the law.

In addition, if sellers discover a problem within 30 days of settlement, such as a leaky basement, mold, or poor heating and air, it's possible they can sue you for not disclosing.

Exercise 2.3 - Disclose Problems

✓ *Have you made a list of all potential problems and flaws to disclose to potential buyers?*

Mistake #7 - Sabotaging the Showing

Allowing buyers easy access to tour the property at their leisure is essential to selling your home quickly. By providing a lockbox, your real estate agent can show your home even if you are working, on vacation, or running errands. Make it as easy as possible for buyers to see your home. If they have to call numerous times just to get an appointment, they will quickly lose interest.

When you do have potential buyers touring your home, it is usually best if you can leave the home and allow your real estate agent to take care potential buyers who want to tour your home.

Most buyers need time to focus and evaluate whether the home is right for them. They can feel pressured if an overeager seller follows them from room to room pointing out all the new features and upgrades, so give them space.

Exercise 2.4 - Being Accessible

- ✓ *Do you have a lockbox so agents can show your home when you are unavailable?*
- ✓ *Have you made it as easy and convenient as possible for buyers to tour your home?*

Marketing Mistakes

Mistake #8 - Skimping on Marketing

Preparing your home is only the first step to selling your home quickly. The next step is marketing. Effective marketing ensures that your home receives maximum exposure in the local market and requires more effort than simply listing it on the internet, running an ad in the newspaper, and putting a "For Sale" sign in the front lawn.

A good real estate agent will have an extensive marketing plan for your home to get buyers to take notice. Some marketing tactics you might consider using include:

- **Signage** - Get a professional "For Sale" sign that includes your agent's contact information and ways potential buyers can receive more information about the home, such as by calling a hotline, visiting your property's website, or speaking directly to your agent.
- **Flyers** - Most agents will put together a flyer with attractive photos of your home and specific information that shows why your home is different from other homes in the area.
- **Open Houses** - Allowing potential buyers to tour your home is essential to selling it quickly. Consider holding weekend open houses to invite people to see your home's interior.
- **Newspaper Ads** - Classified ads can be cost-effective ways to let local buyers know your home is for sale or advertise your open house.
- **Direct Mail** - Sending postcards and announcements to other home owners in your neighborhood can be a good way to find a potential buyer. Sometimes, your neighbors know potential buyers who already find the neighborhood attractive.
- **Internet** - Ninety percent of today's buyers start their home searches on the internet, so it is essential to have a website that provides as much information as possible. Consider using high-quality photos, virtual tours, and online classified ads such as Craigslist to spread the word about your home online.
- **Agent marketing** - Marketing to local real estate agents can also be effective because in many cases, another agent will find the buyer for your home. When choosing a real estate agent, ask what types of marketing they use to spread the word to other local real estate agents.

Exercise 3.1 - Marketing Your Home

- ✓ *Do you have a marketing plan that will attract potential buyers online and offline?*
- ✓ *How will you market to local real estate agents who may bring potential buyers?*

Mistake #9 - Bad Photography

One of the best ways to market your home is by having attractive photos. Most home searches begin online and listings without photographs are often ignored. Good home photos are crucial to attracting buyers' attention and getting them interested in your home.

Unfortunately, the truth is that most real estate photos are terrible. Often, photography is an afterthought to listing a property for sale and consists of an agent, who is not trained as a photographer, snapping pictures as he or she rushes to put the home on the internet.

If you want your home to stand out from all the other homes for sale, consider hiring a professional real estate photographer to take the most attractive photos possible. A professional photographer will take time to set up shots and will pay attention to details like lighting, color, contrast, and camera position. They take many photos at different angles to get the best shot and will crop and resize photos to accentuate the positives of your home. And they will delete any photo that doesn't showcase your home's attractiveness.

Exercise 3.2 - Photographing Your Home

✓ *Will you (or your real estate agent) hire a professional photographer?*

Negotiation Mistakes

Mistake #10 - Picking the Wrong Buyer

It is extremely important to select your buyer carefully. Lenders have tightened their lending practices, making it more difficult for consumers to qualify for mortgages, so make sure any buyer you talk with has a recent pre-approval letter for a loan proving they have sufficient funds to buy your home. The last thing you want is for a deal to fall apart at the last minute because your buyer can't get the appropriate financing days before closing.

Pre-qualification and pre-approval are two very different terms.

- **Pre-qualification** - A loan officer will make an educated guess about a potential buyer's ability to buy a home. In many cases, a lender won't look at the buyer's credit report during this evaluation. Instead, they will calculate the buyer's debt-to-income ratio and write up a letter of pre-qualification stating how much the buyer should be able to borrow.
- **Pre-approval** - To be pre-approved for a loan, a buyer must provide tax returns, bank statements and other documents to a lender. The lender will analyze these documents, pull credit scores, and possibly call your employer to validate the accuracy of the information provided. Based on these documents, a lender will issue a pre-approval letter that certifies the buyer has the resources to afford your home.

Before accepting an offer, make sure the buyer has been pre-approved for a loan, not just pre-qualified.

Exercise 4.1 - Pre-Approval

- ✓ *Does your potential buyer have a pre-approval letter from a lender proving he or she has the ability to buy your home?*

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Mistake #11 - Being Offended By Low Offers

One of the most common mistakes sellers make is not considering every offer submitted. Occasionally, potential buyers will submit low-ball offers that may seem insulting at first glance. If you are already stressed out about selling your home, you might take offense to these offers and write off the buyer as "not serious."

Keep in mind, the way people bid on homes has nothing to do with the property itself and you shouldn't take it personally. Buyers want the best deal possible, so they may start low, offering room for negotiation. If you offer a counter bid, in many cases, the potential buyer will raise their offer price.

When considering bids, look at how many you have gotten. If few people have made an offer, it may be a sign that your home is overpriced and you may need to lower your price or offer incentives that make your home more attractive. On the other hand, if you are in the fortunate position of receiving multiple offers for your home, you have more bargaining power.

You may have a good idea of what you want your home to sell for, but what matters most is the current market conditions. Just because your neighbor sold his home for considerably more money five years ago doesn't mean you will be able to get that price today.

It can be challenging to stay calm during the negotiation process because you have invested much of your life caring for and living in your home. Your potential buyers don't have the history you have with your home. They might not be able to see or appreciate all the features that you have come to love. Once you list your home for sale, it is no longer your home, but a commodity that is bought based on its position and attractiveness compared to the other homes for sale in the area.

If you limit yourself to only full price offers, you may miss out on serious buyers who are testing the waters to see how good of a deal they can negotiate.

Exercise 4.2 - Evaluating Offers

✓ *Have you seriously considered all offers presented and made counter offers?*

Agent Mistakes

Mistake #12 - Hiring the Agent Who Offers the Highest Listing Price

When you ask several listing agents how much they think your home is worth, you may get a wide range of prices. Don't immediately list with the agent that gives you the best price - he or she may be trying to "buy" your listing by suggesting an unrealistically high price.

Unfortunately, some agents will try to win listings by outbidding other agents for your home. They know price is very important to you, so they may sweet-talk you to land the listing, but months later, you may have to slash your price when your home sits on the market with few offers.

Exercise 5.1 - Evaluating Sales Price Estimates

✓ *Have you asked several agents for their opinions on what they think your home is worth? Has one agent priced your home far above all the others?*

Mistake #13 - Hiring an Agent Without a Proven Track Record

When it comes to real estate agents, you can hire a mediocre agent and an excellent agent for the same price. Some sellers decide on an agent based on non-business factors such as hiring friends or family members who just got their real estate license.

There is nothing wrong with hiring a new agent if he or she is working with an experienced mentor or team to help him or her through the transaction - but be sure to ask about that before you hire the agent. New agents are often enthusiastic and may give you the care and attention that an experienced agent may neglect because they want to prove themselves.

A good real estate agent knows the fundamentals of the local real estate market at all times. He or she is familiar with the business, can handle multiple transactions and has superior negotiation skills. Most importantly, you should feel comfortable with your agent. If an agent makes you feel rushed or manipulated, trust your gut and find someone else who serves as a trusted adviser with your best interests at heart.

Some things to look for:

- Do you feel comfortable that this agent has your best interests at heart?
- What experience does the agent or the agent's team have? Have they sold real estate similar to yours in your local market?
- Can the agent give you references?

A good agent can help relieve much of the stress associated with selling a home. They usually have an established network of other professionals that they can recommend to help you through the real estate transaction, such as lenders, movers, attorneys, home inspectors, and others involved in the real estate transaction. They will filter out tire-kickers and try to get serious buyers to write offers. And they will show your home even when you aren't available, negotiate favorable terms on your behalf, deal with all the paperwork so you don't have to worry about getting everything "right."

Exercise 5.2 - Evaluating Agent Credentials

- ✓ *Have you called references and vetted several real estate agents before hiring one?*

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Mistake #14 - Not Interviewing Several Agents

Interviewing real estate agents is key to finding the right one for you. Just as you want to find an agent who is a good fit for your needs, good agents will be interviewing you to see if you are an ideal candidate for them. Because selling your home requires a longer-term working relationship, both parties must feel comfortable with each other before agreeing to work together.

Here are a few questions you may want to ask:

- **How long have you been in business?** If an agent doesn't have much experience, ask about their background and support network. You may find they have worked in a related field, have excellent training, or have a mentor with a proven track record that can guide them through the process. Newer agents have more time to concentrate on your needs, so don't immediately write them off.
- **What is your average list-price to sales-price ratio?** This is the ratio of the seller's asking price to the actual selling price. A competent agent will have a ratio closer to 100%. If it is lower than 90%, they may be pricing homes too high initially to win business, so be cautious.
- **How will you market my home?** As a seller, you want to know how this agent plans to sell your home. What marketing strategies will they use online and offline?
- **What separates you from other agents?** A good agent will be able to tell you why they are most qualified to sell your home. For instance, they are excellent negotiators, they communicate well, they can remain calm under pressure, they have a proven track record of selling homes fast, and so forth.
- **How much do you charge?** All real estate fees are negotiable. Typically, agents charge a percentage of sales. A listing agent may charge 3% for him- or herself and another 3% for the buyer's agent for a total of 6%. As a seller, you will most likely pay the fees for both the buyer's and seller's agents.
- **What if I am not happy with your service?** Once you sign a listing agreement, you may be stuck with that agent until the contract expires. Ask if there is a cancellation policy or what happens if you are not happy with the agent's services.

Exercise 5.3 - Finding The Right Agent

- ✓ *Have you interviewed at least three real estate agents?*

Taking the Next Step

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