



# MAXIMIZE YOUR PROFIT WHEN SELLING

Selling your property can be an expensive enterprise. Realtors' commissions, marketing costs and legal fees will all eat into your profit. But what are the real drawbacks of managing your own sale – and are you better off using a realtor and maximizing your profits elsewhere? Sarah Megginson reports

**T**here's a growing trend across the national property market for vendors to sell their own properties themselves, and it is easy to see why.

As a rule of thumb, realtors generally charge around 5–7% on the first \$100,000 of a property's final sale price and 3% on the remainder, plus 5% GST. This amount is split between the seller's realtor and the buyer's agent, but the entire fee is payable by the vendor.

"It's expensive, which is a major reason why Canadians are getting onboard with the concept of private selling," says Wade Graham, owner of Higher Ground Real Estate Investments in Calgary.

"Those terms are negotiable, but these days you can use 'for sale by owner' companies who are charging as little as \$1,000 to sell a house, which is a huge difference."

Clearly, the financial savings can be significant, which is why most vendors will at least ponder the question: Should I go down the DIY route before engaging a real estate agent?

It's a question that realtor Aaron Hall, founder of [wealthtrifecta.com](http://wealthtrifecta.com), says he fields on a regular basis.

"Most real estate transactions represent the largest single financial decision a person will make. I talk to DIY sellers when representing my buyers, and the conversation seems to always include them telling me that they have

not hired an agent because they are trying to save the brokerage fee," Hall says.

Those people who choose to hire a realtor do so with the intention of working with a qualified person, who can guide and assist them in the sale of their property, Hall adds. "But if you are in a position to buy or sell a property without the help of a real estate agent, there's nothing stopping you."

### Making a self-managed sale work

The primary advantage of listing a property oneself is the upfront cost savings. If a house sells for \$200,000, for instance, assuming a standard commission of 7% on the first \$100,000 and 3% thereafter, the fee payable to a realtor amounts to \$10,500 (inclusive of 5% GST).

But without the benefit of a professional real estate agent leading the way, how can a vendor find potential buyers for their property?

Jeff Reed, professional real estate investor and flipper with Priority Management Ltd, has developed a strategy for attracting would-be buyers, and it does not cost a cent.

"When I'm renovating, I keep a private 'for sale' sign on the property that drives people back to our website. It keeps them up to date with the progress on the project, and the pricing – whether it's for rent or for sale – and it also draws their attention

to other things that we sell, like real estate mentoring classes," Reed says.

"So if you are doing an extensive renovation to the property, you have an opportunity to advertise virtually for free for several months."

A next step is to get your property seen via websites such as [forsalebyownercanada.com](http://forsalebyownercanada.com) (FSBOC). Here, you can list your property online for as little as \$60, including a handful of photos with your entry.

And finally, you need to list your property for sale on [realtor.ca](http://realtor.ca), otherwise known as MLS, the premier online portal for national property sales. In the past, one of the main disadvantages of selling a property oneself was the fact that sellers missed out on an MLS listing – and therefore, lost access to thousands of potential buyers – as the site only allows listings from professional realtors.

However, FSBOC has changed all of that with the launch of their MLS System service, which is offered to DIY sellers through their partnership with licensed brokerages.

The MLS System listing is available across Canada (except Nova Scotia) for an initial 90-day period, renewable in 90-day blocks. The service is only offered in conjunction with an ad placement on FSBOC, but the website promises that no commission or succession fees are payable to For Sale By Owner Canada or their brokerage partner

upon a successful sale.

At the princely sum of \$395 for the first three-month block, and \$195 each quarter thereafter, the service doesn't come cheap – but it's certainly a lot less costly than handing over thousands of dollars in commission to a realtor.

### Drawbacks of DIY selling

While the upfront cost savings can't be disputed, there are other tangible benefits a realtor provides that a DIY vendor often can't match.

First and foremost are a realtor's professional negotiation skills, which may help you achieve a higher sale price that negates the cost of the commission.

According to John Geha, president of Coldwell Banker Canada, "a recent U.S. study by the National Association of Realtors showed that the median home price for agent-assisted sales is 25% higher than 'for sale by owner.'"

"Would you hesitate to pay 5% to use the services of a professional, if the end result would be 25% better?" he says.

"I know I'd personally prefer to have someone working on commission to sell my home rather than get a flat fee, because this way they don't get paid unless they perform. There aren't many other professions where you only get paid upon a successful performance, so I think the important thing for sellers to focus on is what their best net outcome will be, after expenses are taken into consideration."

Perhaps this is partly because real estate agents work in the industry day-in, day-out, so they are continually meeting homebuyers and property investors. As a result the best realtors have bulging contact books and bloated databases full of qualified buyers, which can speed up the process of matching a property with its new owner.

Realtors have more to offer than a network of potential buyers, adds Graham. Through his company Higher Ground Real Estate Investments, he has been buying, renovating and selling properties for over a decade, and although he admits to occasionally managing

his own sale, for the most part he diverts to the professionals.

Realtors develop a marketing plan, and offer recommendations and advice to make your home more attractive, and negotiate on your behalf with prospective buyers. But even more importantly, Graham values their ability to guide you through challenging situations.

"If you're just starting out in this business, I would definitely recommend using an agent – there are lots of landmines to avoid and lots of areas where you can get in trouble, especially with investment properties," Graham warns.

"You might come up against unscrupulous sellers, terms and conditions that aren't favourable to your deal, or a situation where

you're giving away too much of a price discount. All of these risks can be minimized by working with an agent."

### Landing an A-list agent

Finding an experienced, proactive real estate agent with a proven sales record is no easy feat, but it can be done. Start by doing your homework.

"Find out who has a proven track record for providing outstanding customer service and sales results in your market," says Geha.

"Talk to more than one agent, and ask them to give you a presentation of why you should choose them as your sales representative. The goal is to find an experienced realtor who will listen to you, who will understand your needs and will

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work together with you to achieve results, so don't be afraid to ask questions and see if there's a good fit."

Graham reveals he went through 14 different realtors before landing on the person he now works with long-term, and he recommends that people invest some time in finding the right match.

"Most agents are generalists," he says. "They work with buyers and sellers; they market apartments, condos and houses; they work with first timers and investors. They're trying to be somebody to everybody."

His recommendation to vendors is to identify which market you are specifically going for, so you can then find a realtor who specializes in that area.

"I buy a very specific type of property in a very specific area, so I wanted someone who spends 75% of their time and who has 75% of their business in that type of product," Graham says. "It took me a long time to find the right person, but it was worth it in the end."

As well as honing in on a specialist, he believes that it's important you work with someone you actually get along with. Even though selling property is essentially a business transaction, you will spend a fair amount of quality time with your realtor during your sales campaign, so it helps if you enjoy their company.

"You'll be working with them quite a bit, so you need to trust them," he says.

"Many agents are just driven by the short-term sales commission, but you want to work with someone you can trust – a straight shooter who will tell you to pull the pin on a deal if it didn't work out, rather than advising you to go ahead so they earn their commission, even if it's not in your best interests."

## How to set your price

There are different strategies you can use to set your price, depending on your end goal.

One option is to price it exactly where you believe the market stands, based on similar properties, and then hold out until you achieve your price. But if a quicker sale is high on your list of priorities, you may be better off pricing your sale more aggressively to generate interest from buyers.

The latter is the strategy that works for Reed, who spends the majority of his time tracking down old, run down houses before converting them into high-end, custom-built estates.

"I start by checking comparable sold prices in the last three months, and in the same geographical area as where my property is located, and then I check with local real estate agents to see where they would price it," Reed explains.

"I then reduce my price slightly in the hope that it will generate multiple bids and more competition."

It is important to consider the condition and features of your property when compared to similar homes on the market. You don't want to risk setting your price too high, and then having it sit on the market too long and becoming a cold listing.

If you do price the property too high initially, never fear: there are "various tricks an experienced agent can play to stir up some action," Reed confides.

"If my property hasn't sold within a month, my agent will usually remove it from the market and relist it at a different price," he says.

"This way, it looks like a new listing and gets more attention. Also, it doesn't scare other agents away by looking like a stale listing, as agents always look at the 'days on market' section of the listings."



## TOP SELLING TIPS

- ✓ List all maintenance issues, fixtures and fittings to be replaced, and rooms to be painted. Put each job into the 'DIY' or 'handyman' category
- ✓ Look at the asking prices for comparable, but renovated, properties in the area to determine whether renovation would significantly boost your selling price
- ✓ Do a big stage before having photos taken for the marketing campaign, and mini stages before each open for inspection
- ✓ Don't keep your tenants on until the property sells. They're a major turn-off for owner-occupiers and make the property nigh on impossible to stage

## My property isn't selling

Getting nervous that your property hasn't received an offer – or, in fact, any genuine interest since you listed it for sale?

First, you need to be realistic: if it's only week two of your sales campaign, then it's too soon to be fretting.

Your local broker will be able to provide you with historical information about the average days-on-market (DOM) before a listing sells in your area. These are just general guidelines, but they give you an indication of how long the neighbours waited to secure a sale.

"The time your property takes to sell can be influenced by many factors, including how many other listings you are competing with in your local area," says Geha.

"Bear in mind also that certain types of properties, such as starter homes, may tend to sell much more quickly than luxury or specialized homes, where the pool of potential buyers is much smaller."

If your property has been on the market for over 30 days and it has yet to attract any serious interest, however, then you might

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## "A staging professional can maximize the selling features"

consider reviewing your sales strategy.

"I would re-evaluate my numbers and make sure they are in line with my projections," Graham suggests as the first port of call. "The market will pay what it pays, so the price may need to be reduced."

Once any relevant pricing adjustments have been made, Graham says it is important to review who you are marketing the property to, being careful to avoid trying to please too wide an audience. This means defining your ideal buyer: is it a first homebuyer? young family? professional couple? retirees?

"Ask yourself: am I really going after a particular buyer? My end buyer is always in the back of my brain because with every decision I make when I do something with the property, I'm thinking, who is going to rent or buy this?" Graham says.

"That way, I can market it very specifically – rather than trying to be everything to everybody, and winding up being nothing to nobody."

Finally, it's crucial that your property presents in its most optimal light, which includes staging if necessary, and high quality photos. Graham cheats in this regard – his wife is a professional photographer – but says he can't stress enough what a difference good images can make.

"There's nothing worse than a bunch of blurry iPhone photos representing the property," he adds. "You're paying your agent a good sum of money, so the least they can do is take some good photos."

### The dos and don'ts of staging

When marketing a property for sale, you're aiming to show prospective buyers how they could enjoy living

in the home by presenting its best features. An empty house has no energy or warmth, and is far less appealing than a home that is well furnished, inviting and stylish.

One thing to remember, offers Monica Stanciu, a certified Canadian Staging Professional from staged2sell.ca, is that "buyers don't buy work".

"Statistics show that buyers are willing to spend more money when buying a move-in ready property," she says.

"Staging is all about first impressions. An average buyer spends three or four minutes walking through your property, so make these minutes count by showing a clean, spacious, problem-free house. You'll increase your chances to sell your property for the most money and in the shortest time."

So, if your investment property is sitting empty – or your own home is cluttered with personal debris – consider these staging tips.

#### ① Repair and update

Fix everything that doesn't work, Stanciu suggests. This means attending to leaking faucets, bad plumbing, defective windows, missing doorknobs and broken light fixtures.

#### ② Less is more

De-clutter, de-clutter and de-clutter again. "Sometimes removing a few furniture pieces will make rooms look more spacious," she says. "A staging professional can help you rearrange the furniture to create the best traffic flow and maximize the selling features in each room."

#### ③ Paint the entire property

"This is the cheapest update and it yields over 850% return on investment,"

Stanciu says. "Choose neutral colours that will make rooms feel more spacious. If there is old wallpaper or wallpaper border, remove it, repair the walls if necessary, and paint. Don't forget the ceilings."

#### ④ Sweat the small things

It's the smallest touches, like matching towels, stylish cushions and a contemporary bedcover, that can have the biggest impact, says Bev Norman from roomforchangedecor.com. "Consider the expense of new towels or bedding as an expense that can be taken with you," she adds.

#### Upgrade your furniture – temporarily

⑤ In larger centres, you can find staging rental companies that will lease furniture, lamps and accessories for a short timeframe. "It eliminates the need to purchase these items, but allows you to temporarily upgrade worn out furniture and outdated looks," Norman says.

#### ⑥ Create the wow factor

"When you enter the front door, your first thought should be 'what a spacious entry.' That means no footwear, no shabby mats, no crowded closets when you open them," Norman advises.

#### ⑦ So fresh and so clean

Sparkling appliances and a fresh smell to the home should exist in every room, "especially the bathrooms, kitchens and basements," Norman says. "Pet odours and musty smells can instantly raise concerns. Cleanliness is an absolute must, especially in bathrooms and kitchens, so hire someone if you cannot get to it yourself." ■

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