

# Chapter 5



## Listing Presentation Package

### Chapter 5 Goals:

- What a competitive market analysis is
- How to use a competitive market analysis to convince clients to use your services
- The various attachments you can add to the competitive market analysis
- Estimated seller proceeds
- Buyer listing information and material. This is used to display your knowledge and expertise in the field of real estate
- The importance of the internet
- How to farm your local real estate market

## Chapter 5: Listing Presentation Package

### Key Terms

adjusted selling price comparables comparative market analysis (CMA) Estimated Seller Net Proceeds Form	for sale by owner (FSBO) listing presentation listing price multiple listing service (MLS) objections	overpricing pitch seller's net proceeds subject property
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### Chapter Overview

After reading the chapter, readers will understand the following:

- What a comparative market analysis is and what it all includes
- What comparables are and how an agent determines them
- How an agent can use a comparative market analysis and a listing presentation to convince a client to use his or her services
- The ins and outs of “for sale by owner” properties
- How an agent can effectively pitch to potential clients

### Comparing Properties and Comparables

A **comparative market analysis (CMA)** is a tool that allows an agent to estimate the current market value of a property. Essentially, it is a miniature appraisal.

Items in a CMA include:

- Comparable properties that have sold, including how recently they were sold, the average number of days they were on the market prior to being sold, and the average price per square foot
- Current and pending property listings
- Comparable property listings that expired within the last three to six months
- Expired listings
- Local real estate market data, including property value trends in the past year



CMAs are primarily used for residential properties because there are many comparable residential properties. They are particularly useful for single-family residences and multi-unit buildings of up to four units.

## Comparables

**Comparables**, also referred to as “comps”, are recently sold homes that an agent uses to compare to a subject property. Comparables must be accurate, up to date, and similar to the subject property.

For a property to be considered a comparable, it must:

- *Be in close proximity to the subject property.* An agent should not use properties outside of a one-mile radius or ones that are divided from a subject property by large intersections, boulevards, or thoroughfares. These factors can drastically affect property value.
- *Be sold.* Agents should exclusively use sold properties as comparables. Although current listed properties may provide an idea of where property values are, they indicate the proposed price for which sellers *want* to sell their properties, not the actual property’s value. Therefore, listed properties may be overpriced and not reflective of the true value of the market.
- *Have been sold recently.* The more recently a comparable property was sold, the easier it is to determine the accurate value of a subject property. An agent should use properties that have sold in the past three months, or the past six months if the area has not experienced significant activity. An agent should avoid using properties that were sold beyond six months as the market can fluctuate drastically in that time.
- *Have similar unique features.* An agent should keep in mind the unique features of a comparable property and the subject property. These include the property style, architecture, design, furnishings, ceiling height, age, flooring, number of bed and bathrooms, age, views, and others.
- *Factor in average price per square foot.* Because comparable properties may be substantially different in size than the subject property, an agent must determine a property’s value based on the average price per square feet. An agent finds this **adjusted selling price** by multiplying the average price per square foot of the comparable properties by the subject property’s number of square feet.

For example, say the subject property is 2,000 square feet and comparable

properties in the neighborhood are 2,900 square feet. The average price per square foot for the comparable properties is \$249. An agent should multiply the average price per square foot of the comparables (\$249) by the subject property's square feet (2,000) to find the accurate value of the subject property. So:  $\$249 \times 2,000 = \$498,000 = \text{accurate value of the subject property}$

Comparable property values typically vary up to 10%.

However, the real estate market may be littered with properties that are valued substantially higher or lower than “normal” market prices. These over- or underpriced properties can be a result of market foreclosures, short sales, properties being transferred between family members, “for sale by owner” properties, or auctions.

If an agent finds a property that has a drastically different price than the other neighboring properties, it is his or her responsibility to verify that the property is in fact a comparable.

If a property varies in price from other comparables by 20-30%, it is likely that the property is significantly different in age or condition.

If an agent misleads a seller about the value of his or her property, or intentionally omits key comparables, the seller may list his or her property for too high or too low a price. In this case, an agent can be held liable for punitive and compensatory damages and/or have his or her license suspended and revoked.





### **Multiple Listing Service (MLS)**

A local **multiple listing services (MLS)** is an online database of all current listings, expired listings, and sold properties. It is a powerful tool that gives an agent access to comparables, including their square footage, listing price, sold price, and photos.

An agent must pay an annual fee and become an MLS member in order to gain access to this database.



## Comparable Report

		Comparable Homes			Subject Property
		3892 Santa Monica Blvd. 90025 Los Angeles, Ca	9384 Bentley Ave. 90025 Los Angeles, Ca	2849 Veteran Ave. 90025 Los Angeles, Ca	4839 Camden Ave. 90025 Los Angeles, Ca
					
Sale Price	<b>Average</b> Based on 5 Comparables \$520,590	\$401,000	\$494,000	\$499,950	\$392,500
Dollars per Sq. Ft.	\$409	\$364	\$356	\$400	\$277
Sale Date	June 2013	Aug 2013	May 2012	Mar 2013	Apr 2013
Days on Market					
Distance	0.14 mi	0.32 mi	0.00 mi	0.24	0.52 mi
Location					
Beds	3	3	3	3	3
Bathrooms	2.5	3	4	1	2
Sq. Ft.	1,552	1,890	1,246	1,100	1,500
Years Built	1995	2003	1989	1979	2000
Lot Sq. Ft.					
Garage	Yes	Yes	Yes	Yes	Yes
Parking Spaces	2	2	3	4	2
HOA Dues	\$812	\$600	\$1,385	\$800	\$725
MLS ID					

## Building the CMA

Although most of the information for a competitive market analysis can be pulled from the MLS within 30 minutes, an agent wants clients to feel that time and effort was put into creating it. Therefore, an agent should personalize each client's CMA and increase the value of its contents.

First, an agent should create an aesthetically appealing cover. A CMA cover should include both the client's name and the name of the agent who created it.

The opening pages of the CMA should include a picture of the subject property and a data sheet with all of its vital information. These details serve to show a seller that an agent is thorough and detail-oriented.

The inner pages of the CMA will typically include information about other properties, including current listings, expired listings, and recently sold listings.

This is also where an agent should list comparables to the subject property. An agent should include clear and accurate photographs of the properties and their features, as

well as their final sale price. Selecting effective comparables will give sellers a realistic expectation of how much his or her property is worth in the current market.

All of the preceding information serves to support the last page of the CMA: an agent's listing price recommendation.

The recommended listing price includes both an estimated property value and a price range for how much a seller should sell his or her property. An agent cannot predict changes in the market prior to the property's sale or how much a buyer is going to offer. Therefore, a price range ensures that the accurate property value is covered.

An agent should sit down with a seller when he or she presents comparables and his or her recommended listing price. The agent should also attempt to do so in a non-threatening area of the home, such as the kitchen or living room. This ensures that the seller is in a comfortable place and that his or her full focus is on the agent's presentation.

## **Estimated Seller's Net Proceeds**

Just as an agent must provide realistic expectations for a seller regarding the accurate value of his or her home, the agent must also be clear about how much a seller will make from the sale. As a seller will likely relocate to another home or apartment, it is imperative for him or her to have an idea of how much money he or she will have for that next step.

A **seller's net proceeds** is the property's sale price minus all associated expenses, including an agent's commission. It is an agent's responsibility to inform a seller of all expected fees and commissions associated with selling his or her home.

An agent should never put a seller in the position to believe that he or she will make more from a sale simply to convince that seller to use the agent's services. A seller who makes less on a sale than he or she had been led to believe is not going to be happy.

To avoid surprises, it is always better for an agent to be conservative with his or her estimate of a seller's net proceeds. If a seller accepts an agent's conservative estimate and the house sells for a lower value, the seller will not be surprised. If a seller accepts the conservative estimate and the house sells for a higher value, the seller will be pleasantly surprised.



# **ESTIMATED SELLER PROCEEDS** (C.A.R. Form ESP, Revised 4/06)

SELLER:

DATE:

PROPERTY ADDRESS:

This estimate is based on costs associated with

type of financing.

PROJECTED CLOSING DATE:

Current Annual Property Taxes: \$

Rate:

%

PROPOSED SALE PRICE: \$

Monthly Homeowners Dues, if any \$

**CHARGES BY EXISTING LIEN HOLDERS**

Interest to payoff date (first loan)	# Days	\$
Interest (secondary financing)	# Days	\$
Interest on lines of credit or other financing		\$
Prepayment penalty		\$
Demand and Reconveyance fees		\$
Other lender fees (wire transfers, courier, etc.)		\$

**ESCROW AND TITLE CHARGES**

Escrow Fee including any Exchange Fees	\$
Title Insurance Policy	\$
Drawing, Notary and Recording Fees	\$

**OTHER EXPENSES & PRORATIONS**

Brokerage -Listing	Amount \$	or	% \$
Fee -Selling	Amount \$	or	% \$
Transfer Tax -County	Rate per \$1,000 \$		\$
-City	Rate per \$1,000 \$		\$
Property Taxes	# Days	\$	
Homeowners Dues	# Days	\$	
Buyers Closing Costs		\$	
Natural Hazard Disclosure and/or other Reports		\$	
Wood Destroying Pest and/or other Inspection Fees		\$	
Corrective Work and/or other Repairs		\$	
Home Warranty Program		\$	
Rents and Security Deposits		\$	
VA/FHA Discount Points and Fees		\$	
HOA Transfer and/or Move-Out Fees		\$	
Other		\$	

**TOTAL ESTIMATED EXPENSES**

\$

**ENCUMBRANCES (EXISTING LIENS)**

First Loan	Rate: %	\$
Secondary Financing Rate:	%	\$
Secured Lines of Credit		\$
Bonds Liens etc.		\$
Other		\$
<b>TOTAL ENCUMBRANCES</b>		\$
<b>GROSS EQUITY</b>		\$
(Expected sale price less encumbrances)		

**ESTIMATED CREDITS**

Prorated Property Taxes # Days	\$
Prorated Homeowners Dues # Days	\$
Other	\$
Other	\$

**TOTAL ESTIMATED CREDITS****PROCEEDS RECAP**

Expected Sale Price	\$
LESS Total Encumbrances	-
LESS Total Estimated Expenses	-
PLUS Total Estimated Credits	+

**ESTIMATED TOTAL SELLER PROCEEDS**

LESS any Note Carried by Seller -

LESS any Federal/State Withholding -

**ESTIMATED SELLER CASH PROCEEDS**

This estimate, based upon the above sale price, type of financing and projected closing date, has been prepared to assist Seller in estimating costs and proceeds. Amounts will vary depending upon differences between actual and estimated repairs that may occur in the transaction, unpaid loan balances, assessments, liens, impound accounts, charges by lenders, escrow companies, title insurers and other service providers and other items. Not all liens may yet have been identified. Neither Broker nor Agent guarantee these figures represent the actual, or only, amounts and charges. By signing below Seller acknowledges that Seller has read, understands and received a copy of this Estimated Seller Proceeds.

Seller

Date

Seller

Date

Real Estate Broker (Firm)

BRE Lic. #

By (Agent)

BRE Lic. #

Date

Address

City

State

Zip

Telephone

Fax

E-mail

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ESP REVISED 4/06 (PAGE 1 OF 1)

ESTIMATED SELLER PROCEEDS (ESP PAGE 1 OF 1)

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Phone:

Fax:

## **Listing Presentation**

A **listing presentation** is a tool used by an agent to convince a seller of the benefits of selling his or her home and of using the agent's services to do so. It is a visual guide that supplements (but does not replace) an agent's verbal pitch. Such a presentation relies heavily on pictures, graphs, and charts.

An agent's listing presentation should include:

- *Subject property profile*
- *Accurate listing price.* Includes an explanation of why choosing an accurate listing price is so important.
- *Real estate market data.* Includes neighborhood property value trends.
- *Comparable properties*
- *Estimated seller's net proceeds*
- *Marketing/advertising plan*
- *Seller checklist.* This includes any items that a seller should fix, alter, or improve in order to maximize the selling price, as well as tips for getting the property ready for a showing.
- *Standard real estate forms.* This includes a listing agreement, agency relationship disclosures, and transfer disclosure statements.
- *Special disclosures.* This includes zoning disclosures, current property tax rates, and income and expenses for rental property (if applicable).

An agent can choose to present a listing presentation as a digital slideshow or a physical manual in a three-ring binder. However, modern presentation programs – such as Prezi or Power Point – greatly increase the appeal of an agent's services.

As a typical agent does not spend time developing such a presentation, a listing presentation can make an agent stand out from other agents.



## Choosing the Right Listing Price

Having the correct listing price is the most important component of selling your home. Buyers and agents actively scout the market to determine which homes to put offers on. Without a fair market listing price, your property will have no shot of selling. Your property including its location, size, characteristics are the main components in determining the property value. To find the accurate listing price, your property will be compared to similar properties in the local market. The property evaluation only uses comparable properties in similar locations with similar features. The listing price will ultimately determine if and how long it takes for the property to be sold.



After finding a suitable list price for your property, it is your responsibility to determine whether it is worth it to sell your home. While the goal of the listing should be to retain the highest possible offer, it is counterproductive to overvalue the price. While conventional wisdom may suggest that you list the property above the reasonable market value, recent data has proven it is beneficial to list the property 2-5% below the market value to create a bidding war between prospecting buyers. If your goal is to sell the property as soon as possible, a fair listing price should be considered.

The listing price of a property is determined by the following:

- Location
- Size
- Characteristics
- Amenities
- Recently sold properties
- Buyer/Seller demand
- Buyer's market and seller's market?

Consider the following when determining pricing:

- What you believe your property value is has no bearing on the actual listing price
- Market demand determines the value of property
- Realistic pricing determines if and when the property will get sold
- Overpriced properties no longer get prospective buyer attention
- Fair market value ultimately receives the most offers



**Antonella Roberts**

Office: 310-555-8617

Website: [Antonellaroberts.com](http://Antonellaroberts.com)

Email: [antonella.roberts@dieselrealty.com](mailto:antonella.roberts@dieselrealty.com)

### Subject Property Profile



Spectacular estate over 1.5 acres of prime real estate. Situated over the hilltops of Los Angeles bask in the glory of all that Los Angeles has to offer. Drive 5 minutes down the hill and go to the historic art museums, drive another 5 minutes and go some of the most famous bars, hotels and public venues, and drive another 3 minutes and you'll find yourself at Grove Fashion Mall.

This 6 room, 8 bathroom estate fills the needs of even the biggest party entertainer. With a huge barbeque and pool area, enjoy your summer the way Los Angeles intended. The round front driveway allows for easy access to and from your house, making for easy convenience for friends and family visit.

City: Los Angeles	Neighborhood: Los Alamos	Year Built: 1964
Fin Sq Ft: 52,000	Lot Desc: -	Lot Size: 1.5 Acres
Style: American Colonial	Const: Cedar	Bedrooms: 8
Bathrooms: 8	Basement: Below first floor	Roofing: Cedar
Basement: Yes	Cool: Central A/C	Heat: Electric
Fuel: Electric	Exter Feat: Balcony/Deck	Parking: Garage
Garage Spaces: 3	# Fireplaces: 2	Water: -
Sewer: Septic	Amenities: -	Amenities: -
Amenities: Pool, library, balcony		Other Rms: Library, Movie Theatre



**Antonella Roberts**

Office: 310-555-8617

Website: [Antonellaroberts.com](http://Antonellaroberts.com)

Email: [antonella.roberts@dieselrealty.com](mailto:antonella.roberts@dieselrealty.com)



### Why Choosing an Accurate Listing Price is So Important

Choosing the proper listing price is the most important component of selling a home. A home that is priced too high will not garner the necessary attention it needs to create enough demand to lead to a sale. Furthermore, an overvalued listing price will lead buyers and agents to neglect viewing the listing even if they are interested in viewing the property itself. While determining the proper listing price can be a challenge, with the proper research, knowledge, and realistic expectations you could expect to create enough demand for your listing to lead to a profitable sale.

Unfortunately for most sellers, they have unrealistic expectations of the value of their property due to a few reasons. Common reasons include:

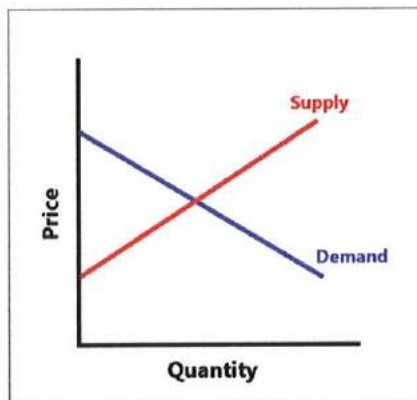
- Emotional attachment to home
- Improper real estate market knowledge
- Not knowing the average price per square foot in the neighborhood
- Believing one's property is better than their neighbors
- Miscalculating the location of their property relative to other recently sold properties

Listing your property at fair market value increases the odds of your property selling. The goal of your listing should be to create as much demand as possible between prospective buyers to create a bidding war which ultimately leads to a higher final sold price. This maximizes the odds of selling your home within a reasonable timeframe.

#### High Demand = Increased Property Value



Ultimately, the final sold price will be determined by the demand in the market. Demand is decided by the amount of buyers chasing the relative amount of inventory on the open market. This is why the recently sold comparables of your neighbors will answer how much your property can be listed for.



**Antonella Roberts**

Office: 310-555-8617

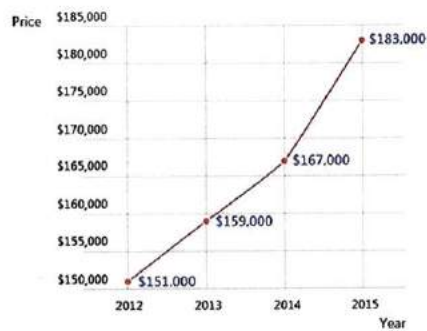
Website: [Antonellaroberts.com](http://Antonellaroberts.com)

Email: [antonella.roberts@dieselrealty.com](mailto:antonella.roberts@dieselrealty.com)

## Value's Skyrocketing

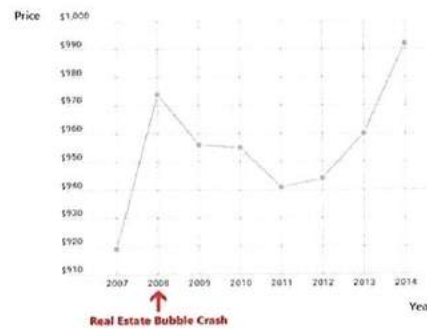
Use real-world data through visuals to show his or her perspective clients why it is a great time to sell their home. Charts such as these have the power to convince homeowners to sell their homes.

### Average Property Value



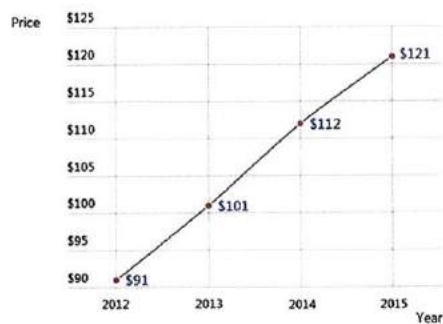
**Value's Skyrocketing**

### Average Monthly Rent



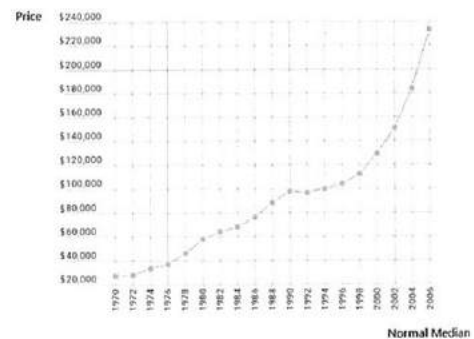
**Rental Prices Will Continue to Grow  
Even as Property Value's Decline**

### Average Price Per Sq. Ft.



**Value's Skyrocketing**

### US Median House Prices



**Historical Growth**



**Antonella Roberts**  
Office: 310-555-8617  
Website: [Antonellaroberts.com](http://Antonellaroberts.com)  
Email: [antonella.roberts@dieselrealty.com](mailto:antonella.roberts@dieselrealty.com)



## Comparable Properties



*Recently Sold*  
**172 Rochester Blvd.**

**City:** San Diego  
**Fin Sq Ft:** 4,200  
**Style:** American  
**Bathrooms:** 6  
**Basement:** Below first floor  
**Fuel:** Electric  
**Garage Spaces:** 2  
**Sewer:** Septic  
**Amenities:** Two family rooms

**Neighborhood:** Longwood  
**Lot Desc:** -  
**Const:** Cedar  
**Basement:** -  
**Cool:** Central A/C  
**Exter Feat:** Balcony  
**# Fireplaces:** 1  
**Amenities:** Steamroom/sauna

**Year Built:** 1965  
**Lot Size:** 1.1 acre  
**Bedrooms:** 5  
**Roofing:** Cedar  
**Heat:** Electric  
**Parking:** Garage  
**Water:** Standard  
**Amenities:** -  
**Other Rms:** -



*Recently Sold*  
**8579 Charmane Road**

**City:** San Diego  
**Fin Sq Ft:** 6,850  
**Style:** Spanish  
**Bathrooms:** 7  
**Basement:** Below first floor  
**Fuel:** Electric  
**Garage Spaces:** 2  
**Sewer:** Septic  
**Amenities:** Two family rooms

**Neighborhood:** Longwood  
**Lot Desc:** -  
**Const:** Cedar  
**Basement:** -  
**Cool:** Central A/C  
**Exter Feat:** Deck  
**# Fireplaces:** 1  
**Amenities:** Sauna

**Year Built:** 1971  
**Lot Size:** 2.3 acre  
**Bedrooms:** 5  
**Roofing:** Cedar  
**Heat:** Electric  
**Parking:** Garage  
**Water:** Standard  
**Amenities:** -  
**Other Rms:** -



*Recently Sold*  
**973 Luvona Street**

**City:** San Diego  
**Fin Sq Ft:** 5,600  
**Style:** American  
**Bathrooms:** 5  
**Basement:** -  
**Fuel:** Electric  
**Garage Spaces:** 1  
**Sewer:** Septic  
**Amenities:** Pool, balcony

**Neighborhood:** Longwood  
**Lot Desc:** -  
**Const:** Cedar  
**Basement:** -  
**Cool:** Central A/C  
**Exter Feat:** Balcony  
**# Fireplaces:** 1  
**Amenities:** -

**Year Built:** 1968  
**Lot Size:** 1.5 acre  
**Bedrooms:** 6  
**Roofing:** Cedar  
**Heat:** Electric  
**Parking:** Garage  
**Water:** Standard  
**Amenities:** -  
**Other Rms:** -



*Recently Sold*  
**4820 Krissinger Place**

**City:** San Diego  
**Fin Sq Ft:** 7,100  
**Style:** Colonial  
**Bathrooms:** 6  
**Basement:** Below first floor  
**Fuel:** Electric  
**Garage Spaces:** 2  
**Sewer:** Septic  
**Amenities:** Library, pool, jacuzzi

**Neighborhood:** Longwood  
**Lot Desc:** -  
**Const:** Cedar  
**Basement:** -  
**Cool:** Central A/C  
**Exter Feat:** Deck  
**# Fireplaces:** 1  
**Amenities:** -

**Year Built:** 1969  
**Lot Size:** 1.9 acre  
**Bedrooms:** 7  
**Roofing:** Cedar  
**Heat:** Electric  
**Parking:** Garage  
**Water:** Standard  
**Amenities:** -  
**Other Rms:** -



**Antonella Roberts**  
Office: 310-555-8617  
Website: [Antonellaroberts.com](http://Antonellaroberts.com)  
Email: [antonella.roberts@dieselrealty.com](mailto:antonella.roberts@dieselrealty.com)

## **“Why Choose Me?”**



The lifeline to an agent's business is his or her ability to sell his or her services. Buyers and sellers will only choose an agent to represent them if they feel confident in the agent's abilities. An agent must convince potential clients of his or her skills, experience, and ability to close the transaction.

This means crafting an effective pitch that will turn consumers into clients.

### **Crafting a Pitch**

An agent's pitch **should**:

- Be simple and straightforward.
- Use powerful language and data.
- Indicate the agent's experience in real estate sales, knowledge of the market, and recent successes.
- Convince a potential client that the agent can complete a transaction in the shortest amount of time and for the best price.
- Address a client by his or her last name (unless the agent knows the client)
- Be empathetic and genuine.

A pitch **should not**:

- Be longer than a minute.
- Use overly technical or difficult-to-understand language.
- Sound like a salesperson making a pitch.
- Be rushed.

Clients can see through shallow attempts by an agent to simply get a listing. For example, agents who speak too fast give off the impression that they are pitching or that they are not confident.

An agent must be genuinely concerned about a client, ask the client questions about his or her future goals, and provide solutions. This is particularly necessary with clients who have had a bad experience with a previous agent or who want to sell their property themselves.

For example, as an agent makes his or her way through a seller's property, the agent should ask questions such as "Has there been any recent work done to the house?" and "What's the best feature of the house?" An agent should also comment on the home's best features. For example: "The deep sink and the brushed nickel handles in the

kitchen are great details that increase its appeal.” Such questions and comments help to convince a seller that the agent is attentive to the property and its worth.

An agent should never give off the impression that he or she is talking down to a client, even if the agent knows the client is wrong. Conversely, an agent should not let a client walk all over him or her.

## Sample Agent Pitches

The following are examples of what an agent could say in certain situations.

If an agent works at a large firm:

*My firm has ten offices and 120 agents ready to help you.”*

If an agent has a team of agents who work with him or her:

*“My team of five agents is ready to spread the word about your listing.”*

If an agent works at a well-known franchise:

*“As the number one buyer’s agency in the local market, the name Beverlywood Real Estate means automatic eyes on a property. New buyers, old buyers, and everyone in between look to our firm for representation because they know we can sell their listings as fast as possible.”*

If an agent works at a small, boutique firm:

*“At our firm, your goals become our goals. We pride ourselves on giving every listing the attention it deserves. That’s why we hold more open houses and showings than any other local firm.”*

If an agent’s firm prioritizes advertising:

*“Our advertising budget of \$X per month means more eyes on your listing. It’s no surprise that with all that advertising, our firm produces more deals in a few months than most other firms do in a whole year.”*

If an agent’s firm markets to international clients:



*“This market attracts many international buyers, which is why we market all of our listed properties to the international marketplace. We have an established list of international buyers who will pay top dollar – in cash – to move into this neighborhood.”*

Or:

*“With many international buyers purchasing real estate in this area, you need international advertising to get as many eyes on your property as possible. We have agents working for us worldwide to bring in a high volume of international buyers.”*

If an agent’s company is well-known in the local market:

*“Beverlywood Realty is an active member in the community and has a reputation as a leader in the local real estate market. By working with us, your listing will get name recognition and instant access to our network of buyers.”*

If an agent’s office is part of a national referral network:

*“Our firm is part of a national referral network, which means that people who move to the city are referred to our office. We receive new inquiries constantly. That means we can provide sellers with a large pool of potential buyers.”*

If an agent’s firm specializes in Internet marketing/advertising:

*“Nearly 50% of all real estate transactions begin online, which is why you need a firm with a strong Internet presence. Since you found us online, you know the power of our Internet marketing. This is the same type of marketing we do for our listings. We have been at the top of online real estate marketing for the past four years, which is why I am confident we are the best firm for you.”*

Or:

*“With over 50% of real estate sales originating online, you need a team who spends time, money, and resources on online advertising. Our firm’s website gets more traffic than all of the other local agencies combined. Put our advertising budget to use and you will see the difference.”*

If an agent has a large web presence:

*“We place listings on over ten of the Internet’s top real estate websites. That coverage puts you in front of 20,000 unique visitors per day, including many buyers who are*



*actively searching for a property. I am confident that I can sell your property for top dollar in the shortest amount of time."*

If an agent has a large network of contacts:

*"We have built a reputation as the fastest agency in the Cedarwood market. This is because of our extensive network of contacts. We merely have to put out the word and your listing will instantly be in front of hundreds of waiting brokers, agents, sellers, and buyers."*

If an agent has statistics that work to his or her advantage:

*"Based on recently sold property records in the area, our firm sells properties 20% faster than other local agencies. That means less stress and more money for you in a shorter period of time."*

Or:

*"According to local property records, our office has sold properties for an average 15% higher than our competitors. That means 15% more dollars in your pocket. Our capable team only takes on deals we know we can sell and we never under-deliver."*

## Common Client Objections



Like any business where large amounts of money are exchanged, there will almost always be **objections**. Even if an agent makes an effective listing presentation or pitch, it is natural for clients to object to something, even if it is purely to express that they are not pushovers.

### Overpricing

Sellers tend to think that their home is worth more than neighboring homes. Sellers are apt to think that their homes are:

- "One of a kind"
- In a more desirable location
- Full of more appealing features

This inflated sense of their property's true value leads some sellers to list their home at too high a price. An overpriced listing results in buyers and agents not visiting the property and no offers being made. When this happens, the listing expires and the

property doesn't sell. Even if a seller re-lists the property at a reduced price in the future, there may be decreased interest or suspicion as to why the property did not sell in the first place.

It is better to list a property at a lower price and create competition between buyers rather than list it too high and fail to obtain any offers.

If a property is initially overpriced, or if market conditions change during the listing period that affect the property's value, an agent should inform the seller as soon as possible. An agent must be prepared to contradict a seller if the seller suggests listing his or her property at a higher price than what an agent believes to be fair and accurate. A CMA can be used to convince sellers of the accurate value of their property.

For example, say an agent believes that a seller is pricing his 2 bedroom / 2 bathroom home too high. The agent can use real world data in the form of comparables and cost per square foot to justify why the listing price should be reduced.

<b>Subject Property</b>	<b>Comparable 1</b>	<b>Comparable 2</b>
Home: 2,200 feet <sup>2</sup>	Home: 2,400 feet <sup>2</sup>	Home: 2,450 feet <sup>2</sup>
Lot: 6,400 feet <sup>2</sup>	Lot: 7,100 feet <sup>2</sup>	Lot: 6,970 feet <sup>2</sup>
2 B / 3 Ba	3 B / 3.5 Ba	4 B / 4 Ba
	Price/feet <sup>2</sup> : \$280	Price/feet <sup>2</sup> : \$287
<b>Listing Price: \$731,000</b>	<b>Sold Price: \$686,000</b>	<b>Sold Price: \$703,150</b>

Unless the subject property is located on a better street, has a unique view, or includes special features like a pool, the above data clearly shows that the subject property is overpriced. The comparable properties feature more square footage, bedrooms, and bathrooms, yet they sold for much less than the subject property's listing price.

An agent may also use sample expired listings that were themselves overpriced as an example of why overpricing is not in the seller's best interest.

The following are effective responses to sellers who wish to overprice their listings:

*"We want to create a situation where buyers are competing for your home so that we can drum up a high sale price. In order to do that, we need to create traffic. If we overprice the property, however, fewer buyers will visit or make offers. This can kill the momentum we're trying to generate and the property may stay on the market for a long period of time. I want to be very honest with you so that we can get this home sold for as much as possible. Let's start the listing at \$X and I promise buyers will start competing for the property."*

Or:

*“You have to remember that 90% of buyers obtain loans to purchase properties. Before a lender approves a buyer for a loan, the lender will do an appraisal of the property that the buyer wishes to purchase. From the data of the recently sold comparables, your property is worth around \$398,000. We could list your property at the price you want – \$449,000 – and a buyer may be willing to pay that price. However, when the appraiser indicates that the property is not worth more than \$398,000, not only will the lender not approve a loan for \$449,000, but the buyer may also walk away from the deal when he or she finds out that the house is overpriced.”*

Or:

*“I see where you are coming from, but if we overprice the property and have to reduce it later, it will not get the same attention as a realistically-priced listing. The reduction in price may actually cause buyers and agents to think that something is wrong with the property. Ultimately, this will make it much harder to sell the property for the maximum value. Do you understand what I mean?”*

An agent should avoid property owners who maintain romanticized views about their homes and their value. Sellers with unrealistic expectations commonly change their minds and deny offers that they initially accepted at the last minute. This kind of unpredictable behavior may only serve to waste an agent's time.

If an agent finds that a seller is not willing to reduce his or her listing price when the property is clearly incorrectly priced, the agent should consider asking the seller to terminate their listing agreement. Fear over losing representation may finally convince the seller to list the property at the correct value. If it does not, the agent has rid him- or herself of an unfruitful transaction.

### **For Sale By Owner (FSBO)**

8% of sellers choose to sell their property themselves. These are known as **for sale by owner (FSBO)** listings.

The most common reason why sellers choose to sell their homes themselves is because they believe that it will save them money. A FSBO listing, for example, does not have to pay an agent a commission.

However, the reality is that most FSBO listings sell for a lower final price. As of 2014, the average final sale price of real property with an agent is \$249,000, whereas it is only \$210,000 for a FSBO property. That means that the average FSBO seller nets nearly \$40,000 less than the average property sold by an agent. Therefore, while a seller may “save” on the cost of an agent's commission (~3%), he or she can lose upwards of 20% of a property's value in the final sale.

FSBO listings also take significantly longer to sell. The average time it takes an agent to sell a property is four weeks; the average sell time for FSBO sellers was over two months. Furthermore, FSBO homes have a higher likelihood of not selling at all.

There are other disadvantages for a FSBO seller, including:

- Must be responsible for preparing and understanding all real estate paperwork and contracts
- Must be available for all meetings with potential buyers/agents, open houses, and showings
- Has limited marketing or advertising mechanisms
- No access to a local MLS system
- No existing network of agents and/or buyers

When an agent talks to sellers who are on the fence between hiring real estate representation and selling their home themselves, an agent can use the aforementioned information to convince a seller that using his or her services is in the seller's best interests.

An agent's tone should be firm, yet confident and respectful.

An agent must also gauge a seller when making his or her pitch. If the seller is nice and mild-tempered, an agent may avoid being too forceful or "pushy" in his or her language as the seller may think it rude. However, an agent may find that strong, matter-of-fact language is appropriate for a practical or business-minded seller.

An agent can present a FSBO seller with multiple benefits of using his or her services. They include:

- Selling his or her property for an up to 20% higher price
- Selling his or her property in significantly less time
- Providing a personalized strategy for the seller's goals and situation
- Gaining access to a MLS system and accurate comparables
- Gaining access to an existing network of buyers and agents
- Fielding all potential buyer/buyer's agent requests and meetings
- Prequalifying prospective buyers to avoid wasting time
- Providing knowledge and experience with all real estate paperwork and contracts
- Handling escrow and title details
- Providing a point of support and advice throughout the transaction

An agent's pitch to a FSBO seller should have a give and take element. First, an agent should "give" concern or empathy for a seller's position. For example: "I understand how you feel." Then an agent should "take" away the validity of the seller's position.



For example: “However, statistics show that you could lose up to 20% off the final sale price by making that decision.”

The following are effective responses to FSOB seller rationale:

***“I want to sell my property on my own so that I can keep more of the money.”***

*“I understand. At the end of the day, we all want more money in our own pockets. But on average, “for sale by owner” properties sell for 20% less than properties that are sold with an agent. So while you wouldn’t have to pay an agent’s commission, you could lose significantly more in the final sale price. If you think about it that way, the only person you’re saving money is the buyer. If you list with me, I will make you get the most money in your pocket as possible.”*

Or:

*“My commission is already built into a buyer’s offer. Typically, buyers offer less when a seller does not have an agent because they know the seller doesn’t need to pay a commission. However, if I am representing you, you’ll receive higher offers that cover my commission. In return, you get my help with marketing, showings, open houses, and negotiations with buyers and buyers’ agents. This will put you in the strongest position to get the maximum price for your house.”*

***“It can’t be that hard to find one buyer.”***

*“I understand that finding a buyer may not seem like too difficult a task. However, finding a buyer who will pay full market value for your home can be, particularly for “for sale by owner” properties. Buyers who approach FSBO sellers are often bargain hunters, buyers who are not fully equipped to buy a house, or buyers who cannot get approved for a loan. They know that sellers like you are not real estate experts and they may try to take advantage of that to obtain a better price for themselves. You need access to an existing network of reliable buyers and agents to create a competitive situation that drives up your property’s final sale price. Let me list the property for you, if only for two months, and I won’t just find you a buyer: I’ll find you the best buyer.”*

***“I don’t think that listing a property on my own would be that difficult.”***

*“You could be right. But there’s a reason why only 8% of people do it. Most sellers recognize that they don’t have the time, experience, or connections that are needed to make a sale. Selling a home yourself means that you have to be available for every meeting with a potential buyer, every open house, and every showing. You also have to understand all of the paperwork, contracts, and disclosures that are involved in the process. Selling real estate is what I do for a living. List with me and I will save you months of time-consuming work and have your home sold in no time.”*

***“I was able to sell my first home with a “For Sale” sign and a few advertisements in the local paper.”***

*““For Sale” signs in your yard and notices in the paper may have worked years ago, and they may still get some attention today, but over 60% of real estate transactions start online these days. If you list with me, I can make sure that every buyer with access to the Internet can find your property. I will put your listing on our firm’s website, which gets almost 2,000 unique visitors a day. I will also make your property immediately available on the MLS and blast emails out to every agent in the local area until your property is sold.”*

***“I had a bad experience with an agent before.”***

*“I’m sorry that happened to you. Buying or selling a home is a huge responsibility and an agent should take that seriously. I can assure you that my firm and I give every client and transaction the personal attention it needs to succeed. We are passionate about what we do and your goals become our goals. If you list with me, I promise to make this important process go smoothly.”*

A FSBO seller may give an agent pushback or refuse to change his or her mind. The most successful agents recognize when to walk away. An agent should not waste his or her time dealing with a seller who does not understand the benefits of working with an agent.