

Module 7 - Sell For Max Profit

This is really where the payoff is. After you get to the point where you buy a property and rehab it, the exciting part is when you get it listed and you put it up for sale. It's the step where all your hard work has finally paid off.

FSBO or Real Estate Agent?

When selling, you have two options. One, you try to sell it yourself; or two, you seek out a professional real estate agent. And I know there are flippers out there that have their real estate license, but they're more or less trying to get into rehab and flipping and not so much being an agent. They try to do it all, but they are not expert real estate agents. I made a decision early on not to get my real estate license, and I'm not saying that's good or bad. I just didn't want to get my license and didn't see the value in it as an investor. I chose to rely on expert real estate agents to be on my team and not do it myself. For you it might make sense to get it just for the education and get an understanding but don't get it for the wrong reasons. Of course, you could try to sell it as a For Sale By Owner (FSBO), although I don't think that that's anything you should try. I believe once you get a property, your energy should be focused on running your project and maybe looking for that next deal and raising money. There's enough to do without worrying about how to sell your property. That doesn't mean you can't do anything to assist in trying to sell your property. But the bottom line is I would seek out a really good real estate agent and list it with them.

So if you do go the route of the real estate agent, you definitely want to find someone that's qualified, someone that's professional. It doesn't necessarily have to be someone with a lot of experience because sometimes someone doing it for 20 years has a lot of experience but they're not very good at it.

So you want to check their track record, see how much business they're doing. Find out how quickly they sell their properties. Ask a lot of questions. You don't want to necessarily list it with someone that has the cheapest rate, because I'm a firm believer that you get what you pay for.

A typical rate that real estate brokers charge right now is about 5%. I know some people are out there at 6%. I think 5% would give you definitely a good level of service, and a real estate agent would be more than pleased with that percentage. With anything lower than that like two, three or four percent, you will not get all the services you need to help sell your property quickly.

So this is really all about, to some degree, relationship building and learning how to work with someone that you feel comfortable with, someone who understands your business, and in the end someone who can get your property sold. Now sometimes this would be buying a property from a real estate agent in any area where they also list, and asking them if they'd be interested in listing your property after you purchased it and rehabbed it. So you really have to think back and remember if you had the conversation with them, because if you said that then you absolutely want to follow through on

your promise to them. That might have even been a key ingredient in why you got that property in the first place.

The listing agent might've been a little bit more motivated to work with you, to help you to get your offer accepted and in the end, regardless of whether you can sell it yourself, you definitely want to provide the listing to her as you promised. You could try to sell it yourself while she's getting ready to list it and should share any buyer you find with her because of the promise that you made. I've done this and it's worked. And every time I made a promise to list it with a particular agent, I absolutely would do that. So you want to make sure you're true to your word, which is true really with anybody you're dealing with in your real estate investment team or just life in general.

You want to make sure that the real estate agent has a qualified marketing plan. And when you are talking with a potential agent about something you're buying, be careful. Don't automatically offer the listing on the back end just because you heard this is a helpful strategy.

Get to know her a little bit more, find out where her office is, how long she's been working in the area, and if this is her selling area. Just because she's an agent doesn't mean she covers all areas. Let's say you were dealing with a listing agent directly on a bank foreclosure that she had and you prematurely said to her, "Oh yeah, if I get this I would love to list it with you." In cases like this, some of these real estate agents could be hours away from where the property is located. So I would not want to list it with a particular individual who might not know that territory.

So first and foremost understand who the agent is, where she's working. If it's a listing and you're working with a buyer's agent and she's the queen of that area and has been around for a long, long time and everybody knows her and she does well, then she definitely is an agent you want to work with. Now it doesn't necessarily have to be the top agent or the number one agent. Just as long as it's someone who's very comfortable and selling in that area, with a track record in doing so. I would hope that she does this full-time and isn't working a 40-hour week and doing real estate part-time. I don't think that would be the best person to represent you. However, you will be able to determine that by asking the questions, getting to know her, and understanding what she can do to help sell your property.

Ask the question. *"If I give you a listing, how are you going to market the property? What are you going to do to help sell my property?"* And maybe ask what it is that she does differently, what makes her better than anyone else. So you want to ask what her signs look like. Are they old signs? Are they cruddy, are they peeling, are they falling down? Or are they fairly new and kept up well? This is important because it's an image, and you want to make sure that she's professional, polished, and doing everything to help represent you as best as she can. Ask about her direct mail and if she does any. Ask about open houses. What time does she do them? When does she do them? How often?

Open Houses

Ask your real estate agent if her open houses work. Ask what the average number of people is that walk through her open houses. That's going to be an indication of whether an open house is going to work for you. Open houses don't work as well as they used to but they still work. We find that in certain areas we can get lots of people walking through houses. We've had open houses where we've had 20-30 people come through, and then we've had open houses where no one came at all. So really it's going to depend on the area. It's going to depend also on the agent and what she does to promote the open house; that will determine whether an open house is going to be worthwhile.

I always feel you need to have an open house. I also recommend that even before the open house to the public you have what's known as an agent/broker walkthrough. The listing agent would walk through that property and describe it to all the agents in her office so they sort of have a first look at it; but sometimes we will hold off showings until the open house.

So really it depends on the listing agent; it depends on her strategy. They all do a little bit differently but it's important to get involved, understand what it is yours is doing and feel free to give your input. Ask as many questions as you can. Remember this is your house, and you can control it. Understand what's happening so that you can maximize the efforts in getting it sold.

Lockboxes

Some brokers use lockboxes and some don't. There are two sides to this. Some agents will use a lockbox because they feel it gives accessibility to the home at any given time, any given moment, therefore allowing other agents to show the property at a moment's notice. Others will not put a lockbox on it because they want to represent the home. They want to show it every single time that a buyer wants to walk through with another agent. The real estate agents that put the lockboxes on will say that other agents prefer to show the house with their buyer without us there. They feel like it's more comfortable for the potential buyer to be walking through the house with their own agent. They can speak more freely and be more open, and they don't feel like someone else is shadowing them and causing them to maybe rush through the property.

On the other side, the ones who don't put the lockbox on want to be there when a house is being shown with another agent because they feel that they know the house better than anybody and they can answer any questions; if there are any objections or anything, they are there to answer them or offer suggestions.

I'm okay either way. I just want to have the confidence in my listing agents to do whatever they feel is best. Personally I would love to be at my house meeting any potential buyer that walks through the door because I believe I can sell my house better than any of them. But I don't have the luxury to do

that, and they all tell me I definitely need to stay away. So we've just got to let the system work the way it works and hopefully get a qualified agent to help sell your property in all its glory.

What Real Estate Agents Do to Sell Your Property

One thing the real estate agents do is advertise in the newspaper. And that can be effective; it really depends in the area and it depends on the newspaper they're advertising in. Some other things would be advertising in the real estate books. Those are all over. You've probably seen them at restaurants or coffee shops or stores; they are usually free to the public and people take them. Specifically in restaurants sometimes they'll take them, and they'll go through them while eating. So it can be a good place to advertise. But the big thing today is really the MLS system. The general public has access to it a lot of times via an agent that they're working with. They set them up with an automatic listing of properties that are coming on the market and so forth, which you're probably getting as well.

Agents also use social media outlets, such as Facebook, Twitter, and Craigslist a lot now. So these are things you might want to ask your agent. Is she using Facebook? Twitter? Craigslist? She may not use all of them. She may only use some of them, but I think you need to be socially active these days with these particular houses because it's where everybody is today.

Selling Your Property Yourself

You may also consider putting that house on your own Facebook page or maybe putting an ad on Craigslist yourself. It's really going to depend on how much time that you have. You might post images of the property on your Facebook page and then ask people if they know anyone who would like to buy. You also might want to say, *"Hey, if you know anyone looking for a beautiful home in so-and-so area, I'll give you a finder's fee."* It's all great. And the more people you can get involved in what you're doing the more success that you will have.

If you do put it on Craigslist, be prepared for a lot of calls. If you have an email list of friends and family (hopefully you started creating that already), definitely send out an email blast and let everyone know what you're doing. Remember that in that email blast you can be talking a little bit about how you're working with a private lender who's going to make some money on the flip as well. Then you can talk about if you know anybody that's in this area looking to buy a rehabbed house, things like that.

You can certainly post it on Facebook on your business and personal pages. If you have a business Facebook page, you can get a personal page. We have both. And you and your agent can put up things like flyers. Flyers are great. If your real estate agent or broker made up a bunch of flyers, get some of them and when you're out and about at the coffee shops, pizza places, or variety stores, post them on the boards. If you have a website (you do, don't you?) you can put it up on there.

I think honestly your broker is going to do the best job in selling your property. I used to do a lot of these things in the beginning. I just don't have the time to do it anymore. And right now it's all a part of the market too. I really want you think about that for a second. We are definitely shifting towards a sellers' market now where we have been in a buyers' market for quite some time. You're going to find that things will probably sell more quickly. We're certainly seeing it here. I know it's very geographic; some markets are hot and some may not be as hot right now but definitely overall the shift is turning more towards a sellers' market. That's good for the time of listing it and selling it as opposed to a year or so ago where it would be nothing for us to have a property on the market for 30, 60, 90 or longer days. Now we're selling stuff very quickly, in under 30 days; in some cases the first, second day or first week on the market.

Staging

Staging is very important in my opinion. It's something we started doing about two years ago. And we're finding specifically some properties where staging may assist in defining a floor plan. What I mean by that is if it's a big wide open floor plan, sometimes you have to fill that space to help people to identify how that space is going to be filled with furniture because they don't always see it themselves.

And also on the flip side of that if it's a small house it could be just the opposite. People might be thinking it's too small, and my furniture is not going to fit in here. And that creates a negative impression, and therefore you may never get an offer on that property just because buyers have no vision or their real estate agent that represents them has no vision. A buyer with no vision who walks through your house is probably not going to come back

So we started experimenting with staging, and we're staging most of our houses these days. We started out just testing a few of them out, and we've done different-size houses. We've done large houses on the lakes. We've done really small two-bedroom houses, three-bedroom houses. So we staged a little bit of everything. What staging does is it takes that empty hollow feeling of a house and gives it more of that home feeling with some accessories like towels and shower curtains, and some pictures and just some flowers, plants, just different things other than just furniture.

And that's really going to go a long way in helping to identify how people can live in that house. You can ask your real estate agent. Some of these real estate agents are stagers, and they've even taken the staging courses or they have experience in staging and they may be able to offer that service to you. So get a price from them. And definitely consider staging it. Of course, when you get into a larger home it's going to cost you more money because there's more furniture. We're mostly staging the living room, the kitchen, and the dining room if there is one. So it really depends on the property. If you decide to stage the bedrooms, it would cost more, but so far for us we have not had to stage the bedrooms and we've been successful in not doing so.

We've done it a couple different ways. At the beginning we started using a designer who would come in and do a floor plan, then she would go to some of these bigger places that rent the furniture. And it was not a waste of money; it was definitely worth it because it helped us sell some properties, but it was getting somewhat costly. And I asked other investors and really tried to gauge what others were paying as well. And we were seeing it was anywhere from \$600 to \$1,000 a month to stage a house depending on the size. If you stage it for three months, those bills will add up, so you've really got to consider those costs when you're doing your analysis for the purchase.

We have now started to find other ways, specifically maybe the lesser cost of houses where you can go to like these Rent-A-Centers or rental furniture places. You can go pick out the furniture yourself and have them deliver it and set it up. Doing it this way, we were able to stage some of our houses on an average cost of a little over \$200 a month. Now I'm not suggesting it's going to cost you that but in the beginning when you're doing your first flip I would definitely not hire a designer. I don't think you need to spend that kind of money. Unless you're doing a \$500,000 to \$1 million flip – then I would recommend it.

But if you get into an average flip in a first-time homebuyer market, seek out your local rental place. Go down there with a floor plan. Someone on the floor will be able to help you pick out some furniture, and they will deliver and set it up. That's all part of the cost.

Keep in mind that all this depends on the time you want to invest in doing this. We shifted to this model because I have a company and someone in my company had the time to do this. Now we are back to being too busy and looking at outsourcing it again but at a better price than originally. You also want to make sure you have an eye for design and planning or it can have the opposite effect if you do a bad job.

Other Things You Can Do to Sell

There are lots of things you can do to sell a property quickly. I have not done this but I know others that have done it and it's an entry only listing.

You could certainly test the market and try it out. Basically for a small fee, anywhere from \$200-\$500, an agent will list your property on MLS. Basically that's pretty much all they're going to do. They're allowing you access to the MLS system and everybody that is on MLS will see that listing but that's all they're going to do. So what's going to happen here is you're going to have to take all phone calls for showings. You're going to have to set up the showings.

You will have to do all the marketing, any open houses, any advertising, whatever it takes that a typical agent would normally do you'd be doing. And it's a lot of work, quite honestly, and if you're not prepared to do it I would not look at it as a savings. I don't believe it's anything you should try the first

time out. However it's an option. You can certainly try it and see how it goes. And you may save the some of the commission on the sale of the house.

Now if you look at the 5% commission, let's just say it's a \$300,000 house you're selling, that's \$15,000 you could save. But consider looking at it as not so much saving \$15,000 but what the cost would be if you just missed one appointment while you were helping your next-door neighbor for an hour. Or for whatever reason you were away for a week and you had multiple calls come in but you couldn't address them and you couldn't show the property. Now there are just a million reasons why I would not do this. Again I know others that have done it and it works. But I would exercise caution in moving forward in that sense.

Let the Buyer Think They Won

When you are selling, set it up so that it feels like the buyer is winning. As much as I don't like to give in, if you can come up with a number you know you want to be at but you're allowing the buyer to make that final sort of determining number you accept at. Well, the idea is that you've accepted their number, which in essence makes them feel like they've won; this is good. At the end of the day you get the price that you want the house to be sold at and it's great.

Now let me tell you how this benefits you. When it comes time for home inspections, because there are always going to be home inspection, the buyer may even come back further. It's not over after you agree to a price and inevitably they will find something and you will have to determine whether you want to spend the money to fix it. So if you had a tough negotiation back-and-forth with the buyers or their agent and you finally said, *"Nope, that's it. Bottom line, take it or leave it."* And let's say that they end up taking it, but are not really happy about it because they wanted it for \$5,000 less. In that case, I can almost guarantee you that they will try to find something to renegotiate that price with you during the inspections.

You may not like it but that's how it works. I understand it, so I have now shifted in a sense of always trying to make the buyers feel like they got the best end of it so they don't beat me up too much on the inspections. I want you to understand that because there are negotiations and there are negotiations and it could be the difference of maybe \$1,000 or \$2,000. It may not sound like a lot on \$300,000, but let me tell you anytime I can put another \$1,000 or \$2,000 or more in my pocket by using a little bit of negotiation skills, I'm all for it.