

A step by step guide on selling or swapping real estate in a slow market

Unofficial guide and practical advice with dirty tricks on selling or swapping a house when nothing is selling
Or call it what you will.

Selling in this market takes extra effort. This guide is intended to give sellers some sense of direction where this effort should be directed to increase chances of having their property sold or swapped. Obviously there is an infinite number of ways to market a home for sale, but I emphasize some of the most productive ways plus throw in a few tricks of the trade. Permanently swapping homes is one of the best options in which sellers cannot reduce the price drastically. Trading homes by owner will also save sellers on the realtor's commission.

1. Advertise, advertise, advertise!

Just like location, location, location is important in real estate, advertising is by far one of the most important factors (yet frequently overlooked) when it comes to selling a home in a slow market.

UPDATE: As of late 2008, after enactment of the new Buy and Bail law, it is becoming less effective to advertise a property for sale, except if:

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- The property is priced considerably below the current market value
- The seller is offering substantial incentives, such as seller financing

We strongly believe that pursuing a permanent exchange will likely yield higher chances of finding a buyer than trying to sell via conventional methods. Therefore, we suggest to avoid spending much money on newspaper ads or typical FSBO or MLS websites and directing marketing efforts on finding a real estate match instead.

Take many fresh quality pics of your house. Then choose the ones that can inspire or make your listing stand out and submit to all of these and other sites: <http://craigslist.org> <http://owners.com> <http://allthelistings.com> <http://realtor.com> (once you submit to one of the MLS listing services such as <http://iggyshouse.com> make sure your listing appears on realtor.com).

One way to simplify the process is to use our site <http://GoSwap.org> as the base and most detailed listing with up to 15 pics, then use the listing sharing tools at the bottom of your goswap.org listing to submit the same info to other sites. This reduces redundancy as you will then simply copy and paste the HTML code we provide on many sites that accept it including pics. Make sure to write extremely descriptive and long titles, description, and fill out most fields on all sites. Listing on GoSwap.org is also beneficial as your property will automatically be submitted to <http://trulia.com> (quickly becoming the #3 website in real estate), Google Base, and <http://homesbyowner.com>

The goal is to inspire buyers and make them want to click on your listing. Most swappers, myself included, would not reply to emails sent from people without their own home listed because if someone is not serious enough to spend some time describing what he/she has, what are the chances this seller will proceed with a swap? Many will also skip listings with no pics. A picture is worth a thousand words, remember?

Go one step further and make a short video if you are a techie. In fact take extra steps on any of the points mentioned here--be creative.

2. MLS, MLS, MLS!

List in the Multiple Listing Service but avoid listing with what I call a "sleepy realtor" who simply submits your listing to the MLS then waits until it sells through other realtors so that he/she can then cash your commission check to pay for his sleeping. Either find an ACTIVE realtor in YOUR AREA (not a national firm) or, better yet, submit your listing to the MLS yourself, then reduce the price by the amount of the commission you will save. There is at least one FREE service at <http://iggyschouse.com> , but make sure that this service belongs to your immediate area MLS board. For example, iggyschouse.com does not yet cover all parts of Florida. Even though they will submit your listing, it will appear in the closest MLS system, which is not good enough. You want your property to be listed in your area MLS so that local agents can see it. Do not forget to set a commission. I suggest at least 3%, otherwise realtors will not show or mention your house to prospective buyers.

3. Be creative, be creative, be creative

and look for creative, alternative, and cost effective ways to promote your sale. So advertising your house for swap on this website is one of the creative ways, but open up your other options. Describe all your possible swap combinations, then search our site for people who want to swap for your location and email all of them about possible trade. Go a step further, and email all owners who indicated they will consider swapping for ANY LOCATION, then please do not stop even at that.

Look in your local craigslist.org real estate wanted ads section and see if anyone might want your property. There are many other great services that cost next to nothing. The ultimate goal is to get as much foot traffic through your front door as possible. Keep in mind that nowadays internet has become a vital tool used by buyers to shop for real estate. So online traffic to your listing plays the same role as the physical home showings. It is a pure numbers game: the more people know about your house for sale, the higher the chances of your success in selling it.

4. Open, open, open!

Hold open houses every weekend, even if just a few people stop by. Remember, you only need one buyer! Constantly advertise your property and open houses in local papers, community forums, craigslist.org, GoSwap.org (of course) and anywhere else you may think of. Use your own imagination to get some traffic through your door. If you are really desperate, consider very desperate measures, such as contacting a local newspaper reporter to do a story about your house not selling even at a greatly reduced price. This would certainly bring some attention.

5. Price, price, price!

Price your property slightly below of what you think the market price is. Remember that in a low market no one really knows what the actual market price is, but the only price that matters is the one that gets your property sold. No, I am not implying selling short (less than you paid). Buyers will only consider buying from you if THEY THINK your price is LOW, so make them think your price is low. One trick of lowering the price without actually lowering it is by having buyer pay for most of the closing costs, while reducing your asking price by that amount. So, say the house is listed at \$250K and seller's closing costs will typically run \$5K, then lower the price to \$245K and when it comes to signing the contract insist that buyer pays for closing because the price is great. Do the same by listing in MLS yourself and apply the savings in commission towards the ASKING price of your home. A 3% commission savings equals \$7,500, then your new asking price should be around \$237.500 ($\$250K - \$5K - \$7.5K = \$237.5K$) Here you effectively reduced your asking price by \$12.5K, while you would end up with the same amount at closing.

Remember, one of the most effective ways to get people to look at the property is to attract them with a low price. Think about it this way: if your house was for sale for a hundred bucks, the entire nation would probably stand in line to write you a check. Well, find that magic number that seems attractively low to buyers, yet acceptable to you. Forget about the era of making huge profits in real estate.

6. Follow up, follow up, follow up!

Create a new folder called "prospects" in your email program and save all your listing related emails there. Keep a detailed log of all callers, too. Keep in touch with all your previous enquirers with any updates or changes in price. If you get a lowball offer, here's another of my dirty tricks. Contact all your prospects saying you have an offer while indirectly inviting them to participate in a bidding war. I am not a psychologist, but it appears people get especially excited when something they consider buying is becoming popular and wanted by other people. In fact, this is precisely why this whole bubble thing popped up--flipping homes has gotten too popular. Someone once said, if even homemakers get involved in buying real estate, it's time to get out as things are just about to get ugly and they sure did.

7. What to do if nothing happens?

If you have done everything above and are still sitting in your living room and scratching your head, then repeat some steps above.

If it still does not sell, consider the following alternatives. Can you owner finance? If you have only a small balance on your mortgage, then odds are in your favor and you could potentially set the down payment close to the amount of your mortgage balance, so that the balance is paid off and the buyer owes you about the same as your equity. You could create a balloon mortgage where the buyer will be required to pay off the mortgage early, say in 5 years, if becoming a bank and carrying a loan for 30 years is not your cup of tea. One great site to advertise your owner financed real estate FREE is <http://SellFinanced.com>

If everything above fails, consider this. I have a minor in Economics (could not swing for the major), 10 years of investment experience in real estate, and a business degree (not very credible, I know), but I am betting that at some point the dollar will be even more devalued and the Fed will realize that actual (as opposed to what is stated by the gov.) inflation is much greater than was anticipated by chief economists and most other beer drinking chiefs. The only assets that historically hold their values against inflation are gold, a few other precious metals, and real estate. Just think about this, if all prices are constantly increasing including building materials, then at some point we are going to have a major discrepancy between existing home prices and newly inflated costs to build. In other words, it will be so much cheaper to buy a home already built than the cost of materials to build it. We will in fact have something similar to inverted yield curve, but in new home prices vs. existing. At that point, assuming US does not have a major reduction in population, real estate prices will have no other way but to go up to adjust and compensate for inflation occurred.

Another push towards stabilization of real estate prices should come from foreign investors who suddenly and increasingly view US real estate as undervalued and a good way to diversify their asset portfolios.

Here's an exert from "Foreign buyers see U.S. property as currency play" article published by Reuters, Friday March 7 2008 at <http://www.guardian.co.uk/feedarticle?id=7364904> that may add some credibility to some statements above.

"On Friday, the dollar hit a record low of about \$1.54 against the euro. The British pound rose to a year's high of more than \$2.00.

Commercial real estate investors traditionally have hedged against currency fluctuations.

However, European and British investors remember when the dollar was on top and believe it will happen again as Europe succumbs to an even longer and more painful economic slowdown than in the United States, said Azria, former global partner with investment bank Rothschild Inc.

"Therefore, the exchange rate turnaround is going to happen sooner rather than later," said Azria, whose co-founder Janet Christensen was chief of staff to Blackstone Group LP Chairman Stephen Schwarzman.

"By the time they take their money out of the fund, which is three, four, five years down the road, it will be fully in their favor," he said.

The dollar could begin to strengthen against both currencies in the second half of 2008, said foreign exchange analyst John Normand at J.P. Morgan Securities.

A strengthening dollar could boost the eventual property sales value, as well as the rent, for European property owners who buy now and hold their U.S. investment for several years.

Even half-empty new condo projects and foreclosed houses in Florida have attracted foreign buyers, said Peter Zalewski founder of Condo Vultures, a real estate investment consulting firm in Bal Harbour, Florida.

"They're saying, 'Let's get into dollars simply because we think there's a currency arbitrage play there,'" Zalewski said.

Hedge funds from the Czech Republic, Monaco, Belgium and France, and a Singapore fund looking to recycle pounds earned from London office properties into dollars have contacted him.

One UK fund wanted only single-family homes in southwest Florida markets such as Naples and downtrodden Ft. Myers, he said. "They want to get out of pounds, get into U.S. dollars."

In my humble opinion, the current falling real estate prices are caused by short term oversupply of housing units as a result of overbuilding. It is as simple as first semester "supply and demand theory" in Economics I slept through at the beautiful college. When there is oversupply of something prices decrease and vice versa. I further conclude (while holding the second beer in my right hand) that the housing slump is a relatively short term phenomenon, just don't ask me how short. On the other hand, I don't expect property values to appreciate in real terms, but they will go up at some point to adjust for inflation. To support my theory, real estate in the world has always been a good (notice, I didn't say best) investment alternative to protect capital during inflationary periods. Just look at any countries with hyper-inflation in their history.

Let's take Eastern European countries in the 90's when their currencies plunged against other stable currencies across the board. Look at Moscow and most other developed cities in that region now--did you know that price of housing per sq. ft. in Moscow and Russian Southern cities has exceeded price per sq. ft. of some ocean view real estate in many areas in the US? Talking about apples and oranges... Why would anyone pay the same or more to live in a developing country with bumpy roads (or no roads in some areas) and shabby infrastructure...?

This proves that anyone who held real estate in Eastern Europe during all the years of major economic instability have benefited greatly, while most people who held cash

savings lost it all with devaluing currency. Granted, US is not going to take a beating that severe, but this historical example proves that hard assets withstand inflation very well. There is always something out of whack in this world. US just happened to be at this junction now, thanks to bankers giving out credit like hot cakes and builders baking those cakes, not to mention realtors with their favorite quote of every day "real estate will only go up".

In conclusion, if you absolutely have to sell in order to move, then try everything possible. Swapping is probably your best option especially if you cannot drastically reduce the price. Trading homes will also save you commission, unless your home is listed through a broker. But if you are not hard pressed to move, just wait. Continue what you are doing or start a new business in your hometown. Things may get worse in the short run, but at some point economic forces will kick in and real estate will stabilize. There are investors waiting on the sidelines to snatch up all the deals, don't let your home become their pray.

Written by Sergei N, GoSwap.org creator

P.S. Where is this wisdom coming from?

In late 2006 I personally (without realtors) sold many of my real estate belongings, including our primary residence, and moved into a rental apartment (with a dog and a 1 year old, I might add). During 2007-2008 I managed to sell a few more of the remaining properties including a Florida beach condo located in one of the recession hardest hit areas of Volusia County--all using the techniques described above. I did have this condo listed for swap and received numerous offers, then sold it to a buyer found through Iggys House.