USA TODAY

‘For sale by owner’ can be a hard sell

Agents often worth their weight in commission

By Joyce Cohen, special for USA TODAY

How tantalizing it is: Sell your home yourself and pocket the hefty commission, typically 6%, that you would otherwise pay to the real estate agent.
That prospect sucked in Erla Skuladottir and her husband, Bradley Boyer. In August, they put their New York City home on the market "for sale by owner," an approach often known by its acronym, FSBO, or, even stranger, "fizzbo."

By Thanksgiving, in despair, they had hired a real estate agent.

"We didn't know what we were doing. We thought it would be easier," says Skuladottir, whose family, which includes a 9-year-old daughter, needed more space. "I would go through a broker again, not a question. After she took over, it was such a relief."

FSBO homes are losing ground. FSBO sales made up 13% of home sales last year, down from 18% in 1997 and a high of 20% in 1987, according to a biennial survey by the National Association of Realtors. FSBO sales tend to peak during seller's markets.

Why the decline? Sellers are finding the do-it-yourself approach increasingly time-consuming and complex, what with showing the house, awaiting financial documents and deciphering a mountain of paperwork that in some states includes disclosure forms for termites, mold and aircraft noise. Many are also reluctant to have random unscreened strangers traipsing through their home, says Walter Molony, a spokesman for the Realtors' group.

And in the rare cases in which a seller gets sued for failing to disclose required information — such as the existence of lead-based paint in an older property, which can cause lead poisoning in children — a solo seller won't have an agent to accompany him through the legal process.

In hindsight, Skuladottir realizes just how clueless she and her husband were. They inadvertently overpriced their home, a one-bedroom co-op apartment, at $495,000. That was the going rate for newly renovated one-bedrooms in their housing complex, Lincoln Towers, but they figured their 25th-floor view would compensate for the lack of updating.

Though few interested buyers came knocking, a glut of real estate agents did. The agents gushed over the view — glorious

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sunsets over the Hudson River. "They said, 'You can get more if you let me sell it,' and we said, 'No, no, no,' but that teaser was intriguing, so we started cranking up the price," says Skuladottir. They hit a high of $525,000.

Meanwhile, with her husband often gone on business, Skuladottir felt burdened. She arranged her schedule around potential buyers. She vacuumed and dusted. She was uncomfortable asking financial questions but rarely had to, since most of the lookers were curious neighbors.

With the delay jeopardizing the purchase of their new place, Skuladottir grew more anxious. So she called the broker who sold to them, Shelly Bleier of Bellmarc Realty.

Bleier immediately dropped the price. "It was a small one-bedroom with a small kitchen in a complex of nine brick buildings with no charm," she says. The apartment finally sold last month for $460,000.

Between paying for advertising, maintaining two residences for several months, and selling investments for the down payment on their new home, Skuladottir estimates the family lost $40,000 by forgoing an agent in the first place.

Though nearly half of FSBO sellers cite saving the commission as the big reason to go it alone, a home's price is negotiable, and selling at the low end of the range can cancel out any savings. Tim and Beth Connelly of Cromwell, Conn., found that buyers looking for FSBO homes were also looking for a deal.

"Everybody said, 'You are saving all this money and don't have to pay the commission, so we are going to lowball you,' " says Tim Connelly. "But you are taking time to show the house, and going through the labor and the cost for the advertising."

The Connellys, who have a 21-month-old daughter, decided that their four-bedroom house was too big for a family of three.

In November they bought a nearby house they found on forsalebyowner.com, one of several Web sites giving broad exposure to FSBO homes. It had been listed for just two days. All concerned had such a wonderful experience, says Connelly, that "at the end of the closing, there was a group hug."

So they had no reason to think it wouldn't be simple to sell their own home FSBO. They advertised their house, asking $394,500, on the same site and in several local papers. Their Web listing received 5,600 hits, but only about 30 people expressed serious interest, Connelly says. Of those who made appointments to view the house, a third didn't show.

After two months, he called a real estate agent. The Connellys have a tentative buyer, but the deal could still fall through. The asking price has dropped to $379,900.

Connelly believes the home has certain qualities that make it a bad bet for FSBO. It's located on a dead-end street, with no drive-by traffic. The backyard brook and in-ground pool don't show from the street. Nor did the extensive landscaping, which in the winter was blanketed by snow.

He says his experience was split between extremes. "The house we bought was an awesome experience through FSBO, and the FSBO selling experience was awful."

The decline in FSBO sales is driven more by the reluctance of sellers than buyers, says Molony, but some buyers fear that details are more likely to slip through the cracks with a FSBO home.

Debi Stanton of San Diego says that important information wasn't fully disclosed when she and her then-boyfriend bought a FSBO house five years ago.

Part of a tennis court, fenced off and unused, encroached on their yard. Only when the boyfriend wanted space to store some landscaping equipment did they learn the land belonged to the neighbor.

"It was too much of a headache and too expensive to do anything about it," says Stanton. "I wouldn't buy a FSBO house again. I am not familiar with what they can get away with not telling you."

In the real estate world, FSBO remains divisive. While the real-estate-agent camp offers plenty of reasons to hire a pro, the FSBO camp has as many reasons not to.

Always, the key factor is money. "The average homeowner understands that paying 6% is too much," says Colby Sambrotto of forsalebyowner.com. "It is better spent on a child's education or their own retirement." On the site's exit questionnaire, two-thirds of sellers say they sold their home during the time it was listed.

It's also the case that one-third of FSBO sellers have the easiest path of all: They sell to a neighbor, friend or relative, and never even go on the market.

Contributing: Nadya Stefanova

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