



## Most Common Reasons for Expired Listings

*Seller's Guide to the Dallas- Fort Worth Area Market - August 2017*

In this booklet, we will share information on expired listings; their causes, effects, and possible solutions as well as guidelines for understanding how our market works. This information will help you understand the process and how to avoid long days on market, no showings and lowball, opportunistic offers. We know that listings expire for a variety of reasons; sometimes it's just the market. Most times it's not. Let's dive in.

### Is it the agent's fault?

First, I want to be perfectly clear and honest here – 99% of the time, yes, it's the agent or broker's fault. We as brokers and agents are expected to be professionals at selling homes. We are allegedly the "experts". You've trusted a broker with one of your largest investments and it's now a trust you feel has been betrayed.

You've probably figured this out by now, but not all agents are created equal. You are most likely familiar with the Pareto Principle, also known as the 80/20 rule? Having coached, mentored and trained agents for years, I'll share some shocking info with you. 80% of ALL licensed Realtors should not be licensed. They simply don't do enough transactions to stay on top of the market, they don't stay up with education, they are not professional marketers and they don't have the intangible and invaluable transactional experience that comes with doing a LOT of deals. Just because someone has been licensed for 30 years is no indicator of experience. They may have only done 30 deals in their lives. **You need to know that 20% of the agents are doing 80% of the business.** The average agent in Texas sells less than 4 homes a year. Top agents who produce at a level that sustains a decent living are doing 30-40 deals in a year. Large brokers and teams are doing

100 deals a month. From my personal perspective, it's too easy to get lost with a big team, multiple assistants and impersonal service. To each his own, but we love our clients and want to keep them for life, so we don't take more clients than we can individually service at the highest level.

As a professional and full time broker, I've averaged 30+ deals a year for year after year, not counting my team members and deals I supervised - which brings that total well over 100 deals a year. Which would you rather have? Someone who knows the market, spends time and educational dollars on improving their knowledge, is a professional marketer, a ferocious negotiator and is actively doing deals? Or someone who sits on the sidelines until an opportunity arises? You can tell the opportunists because they don't hire professional photographers. They don't have a network of repairmen or financial experts. They don't understand pricing, appraisals or what buyers want. They can't advise you as to pre-listing repairs, touchups or maintenance. They don't know which repairs or updates the market will reward and which ones the market cares nothing about. For example, you can replace every window in your home with the latest, greatest low E rating, beautiful flip out, tilt out cleaning, etc. and the market will pay you exactly ZERO dollars for the \$20k you invested. So naturally, the agent is the first place we look when a listing expires.

The effect of an expired listing can be devastating to a seller. Jobs wait, plans change, moving trucks stop, the dream of the new home and new location all get put aside and quite frankly it's depressing. It costs real time and money to get a house ready for market and when you start with bad information from an unprofessional marketer, it pretty much all seems like wasted effort.

But there is good news and there is hope. It comes to you in the form of the truth. You know it's the truth when it makes you uncomfortable; having an uncomfortable conversation with a seller is often necessary. Many agents are afraid to tell homeowners the truth. They accept the value the homeowner throws out, knowing it's too high, then they count on time and low offers to change the seller's mind so they'll reduce the price and eventually sell. Another scenario is they knew it was listed at a price where it wouldn't sell and they simply wanted the sign calls so they can collect more buyers.

Or worse yet... They had no idea what the home was worth and what the market expected. I'd repeat that last sentence, but it hurts my feelings too much. I see it all the time. Most agents don't know how to calculate value. They rely on square foot calculations and turn it into a math problem. If it were a math problem, everyone would know exactly what every home was worth. It's not a math problem, it's a psychology problem and that's where the average agent fails.

## What sells a home

Homes sell based on three factors: Price, condition and location.

You can't move it, so if there are power lines, junk cars, railroad tracks and mobile homes close by, you're not going to get as much as if it were an interior lot around a French lake design with fountains, manicured parks and 100 year old oaks. Properties that back up to busy streets or power lines typically come in 3-5% less than comparable homes that do not have these issues. So the first thing we do when determining a list price is take specific location into account. And again, since you can't move it, you can only address a deficiency by improving condition or lowering price. Obviously, you can get a location \$ premium on the flip side of this example.

The condition of the home is the second factor in selling. What does the home need? Updates? Not all updates provide the same return. To further break this down, let's consider the following 3 categories. Deferred maintenance, structural issues and hazardous conditions. Buyers hire inspectors and in the inspection report, there are many, many things they may ask for. As a seller's representative, these three types of issues above are the only three we will address. Cosmetic issues should never be addressed by a seller unless the amount is so trivial as to not be a concern.

Deferred maintenance includes servicing your HVAC system, replacing rotting wood or siding and fixing things you know are broken. If you want top dollar for your home, you will need not only the cosmetic items to look good prior to listing; you need to take care of deferred maintenance. Again – here is the psychology problem. When potential buyers walk into your home, they either get the vibe you enjoy your space and take care of your stuff, or they get the opposite feeling. Dirt around the baseboards, weeds in the flower bed, paint peeling, a/c registers filthy, etc. There is rarely any middle ground for buyers. Far and away, **the**

**number one thing any seller can do to increase their sales price is thoroughly clean the property inside and out.** Clean the windows. Clean the baseboards. Take a water hose and a brush to your garage door and look at the filth that comes off it. Clean the tops of ceiling fans and clean where you can't see as well as where you can. Cleaning is basically free if you do it yourself and a solid deep clean will run anywhere from \$250-600 depending on the size and condition of your home.

If your home has obvious structural issues, you can either repair them or price the home accordingly. What you can't do is ignore the problem and price the home as if it had no issues. This is a common problem in expired listings. Structural issues include foundation settling and cracking, broken supports underneath the house or in the attic, drainage issues, mold, leaking roof, and similar problems. If you can't fix the issue, hiring an agent with the experience to know what the house is worth in that condition is imperative. Obviously if you can fix it, you'll get more money than if you do not fix it. What most people don't get is the psychology involved in this equation.

Example: If a buyer comes in and sees big cracks in the walls, they think two things. First, the house is falling down and they don't want it for any price. Second, if they do buy it and fix the foundation, they want a HUGE discount. In my experience, most foundation work is isolated to one corner or one area and repairs can many times be done for a couple thousand dollars or less, and come with a lifetime, transferable warranty. On the other hand, many times the issue is drainage or trees and the problem can be cured without touching the foundation. **When you leave the equation open for a buyer to do the math, the buyer will always exaggerate the costs.** You can absolutely count on it. So if you can take care of your deferred maintenance and structural issues as they occur, it's clearly in your best interest. If the flooring needs redone and the house needs paint. You can probably get that done for way less than 10 grand, but a buyer is going to see \$30,000. See what I mean? You can't leave those variables up to a buyer if you want top dollar.

Once you've done all you can to the condition of the home (or all you intend to do), that leaves only price as your final adjustment. Have you ever been fishing? You drop a hook in the water and if you don't get any bites, you slowly reel it up. Once you get a nibble, you know you're at the right depth.

Some houses are hard to price, they are unique and have no comparable sales. In this scenario, we do our best to find a starting place and we let the market guide our reductions. If you go 10 days without a showing (no nibbles), or don't get 10 showings in the first week, your price, condition or location are not lined up with the market's expectations. If you get 10 showings and no offers, you're too high for the condition and location.

We live in a techie world, everyone knows about your listing and advertising it in some expensive magazine isn't going to trigger a sale or more showings. You're just telling more people the price is wrong for the condition and location. 99% of marketing is price. Expert agents know this and know that if you're not priced within 3% of what the market expects to pay, you will not get offers. But just because 99% of marketing is price, that's not all an expert agent should do.

How about structuring a deal so you only move once? How about protecting you once you're under contract from inspection items the buyer asks for that you should not address with money or repairs? How about helping you with disclosures to keep you out of court? One of the best lessons I ever learned as a youth was working at a motorcycle shop in college. My boss went out and tweaked a setting on a carburetor for a guy. It took him 3 minutes and he charged him about \$100 in today's money. When I asked why he charged so much for so little effort, he said "He paid me for what I know, not for what I did."

Some sellers see a big check go to the broker and think brokers do not earn those checks. In reality, one single misconception we clear up for a seller could easily save double the commission, and keep them out of a nasty lawsuit.

### **It's the market isn't it?**

Ok. So here is another reason listings expire and it's a big one, though I still put this on the agent. What is it? Un-motivated sellers. Sellers who tell me at our listing appointment that they want to "test" the market usually mean this: if they can find a buyer willing to overpay, an appraiser willing to over value the home and a lender willing to play ball, they'll sell. It's the seller version of the opportunist. Many people think their home is worth more than the comparable sales, simply because it's theirs or because they want badly for it to be true.

That's scary. And sad. When I hear "test" the market I generally stand up and close my briefcase. I don't need to test the market. If you don't need to sell, or you think you can rip the market off, don't waste everyone's time. We live in a perfect market, meaning all information is available at all times to anyone who would look for it.

An expert like me can tell you within 3% what your house will sell for **in any market**. If you're not willing to accept market value, don't list. It's that simple. Moving is hard in this market. *If your agent doesn't know what the list price should be, you need to interview another agent.*

So absolutely, put the fact your home didn't sell squarely on the agent. Absolutely don't list if you're not serious about selling. Take care of your deferred maintenance and structural issues as they happen if you can and hire an agent who understands how to stay on top of the market and interpret what it's telling you.

Your agent owes you the truth and you owe it to yourself to make sure you hire an expert. If you still need to move, please let me know and I'm happy to consult with you. No charge, no obligation. Just the truth. Even if it's ugly. We've sold a lot of expired listings. If you must sell, please call or email today.

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