GENSTONE
REALTY

Working with For Sale By Owners (FSBOs) Workshop Summary

Understanding for Sale by Owners

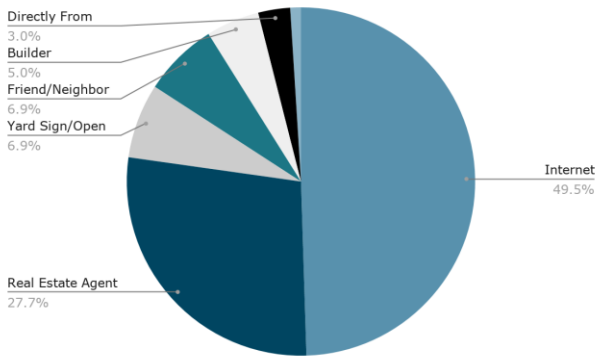
Homeowners who decide to sell their property by themselves do for two primary reasons:

1. Their perception is that it seems easy to sell based on what they observe real estate agents do to bring an acceptable buyer to the seller. First, they see agents putting out a sign, advertising primarily through websites, some of which are available to FSBOs. Agents bring potential buyers through the house, knowing little about all the extra details that might make this house special. The three significant activities the homeowner observes can easily be done by anyone, especially someone who knows the property better than anyone.

2. Since it's so easy, why would you pay another person tens of thousands of dollars to do something you can do as well, or even better? "By getting that extra $10,000 - $50,000, I can have more money for my next home."

The problem with that perception is most of what an agent does in marketing properties is unseen by the homeowner. They are not aware of pricing, marketing, getting other agents familiar through MLS and other means, handling other agents, and overseeing their buyer's qualification plus handling all the requirements to settlement. FSBOs also don't understand that the real estate fee is split four ways, and the listing agent is only getting one of the four splits.

Other than real estate websites where a FSBO can show their property, the percentage of buyers who found the home they purchased is small for the FSBO's marketing efforts of putting out a yard sign and local advertising.



Source: *National Association of REALTORS®, Profile of Home Buyers and Sellers*

According to the NAR Profile, only 3% of buyers found the one they bought directly from a seller. Another study found that 93% of properties sold were agent-assisted, with half of those between people who previously knew each other. Two sources valid the 3% success rate for FSBOs who perceive it's easy when it's not.

Leads on a Platter

FSBOs have announced to the world they need to sell their property. We spend a lot of time having conversations with people to determine when they are ready to sell. FSBOs are ready.

Most real estate agents are taught to contact FSBOs to convince them they are the right agent to market the property. As mentioned earlier, most use the traditional method of selling. Usually, this results in asking the FSBO questions to have them admit there is low interest and activity. The purpose is to let the FSBO realize it's more complex than they thought. The idea is to discourage the FSBO so they will turn to an agent. Unfortunately, the FSBO consciously or subconsciously feels attacked or intimidated, though they know the agent is correct. Sometimes this approach works, which is why agents keep using it.

Here is Where We Come In

The GenStone FSBO Conversation Guide uses a psychologically better approach to FSBOs. Instead of intimidating them or making them feel they can't do something they decided to do, we use the process of helping FSBOs.

Why would we help them sell it? First, we know more than 90% will eventually turn to an agent to sell the property. When they finally "throw in the towel," who is best positioned to be trusted to get the property sold? The one who helped them and built a relationship, not those who implied they couldn't do it.

As stated in the FSBO Conversation Guide, our objective is to "establish a good relationship with the owner and make an appointment to view it. The owner will be discouraged and list with an agent at some point. Let it be with the one who has the best relationship."

Where We Find FSBOs

Find them with yard signs, print ads, online boards like Craigslist, FSBO websites (Houzeo, FSBO, Forsalebyowner), and national real estate websites which accept FSBOs (Zillow, Trulia). Websites usually do not provide full names or phone numbers but mostly publish addresses. *[Hint from experience: If you are driving around and see a FSBO yard sign unless you are on the way to the hospital, stop and go to the door. Instead, you will tell yourself you'll go back later. If you do remember, you may find another agent's sign there by then.]*

Method of Contact

1. Your best opportunity to initiate a conversation and hold their attention is in person. Most likely, the address is all you have anyway.
2. The phone is not as effective but more efficient if you can't get to the property conveniently or when no one is home.
3. If you don't have a phone number or an email address, you may have to offer assistance through the mail or drop off a packet at the property.

How to Initiate the Conversation and Offer to Provide Assistance

Use and learn the GenStone FSBO guide to the initial conversation. Notice we are asking questions for the FSBO to do most of the talking. We are here to listen and learn about the FSBO. People generally like a pleasant person who lets the other person talk.

Initial step: *Determine you are speaking with the property owner and introduce yourself.*
Are you the owner of the property for sale on *[street]***? This is** *[name]* **with GenStone Realty.**

[Obtain the owner's description of the property so you can alert buyers]
So I can be aware of all properties for sale in my area to assist buyers, could you please tell me about yours? *[Respond appropriately and positively to the description. If they give a short description, ask for more.]*

Thank you. It sounds like a great house. Have you enjoyed living here? *[Respond appropriately]*

[Find out more about why they are selling – location, timing]
When you sell the property, where are you moving? *(Respond appropriately)*

What is your timing? When are you planning to be there? *[Respond appropriately]*

[Find out how the FSBO determined the current price. If they didn't already give it, ask for their price]
You mentioned you are selling it for $_____. How did you determine [or arrive at] that price?

[Ask to preview the property and give them some ideas]
I would love to preview your property. While there, I could give you some pointers on marketing it.

[Offer a choice of times, and then work out your schedules]
When would be a good time? Would (day, time) work, or would (day, time) be better?
[Remind the owner of your name. Get theirs and give your contact information in case rescheduling is necessary.]

Answers to Possible Questions

If they ask, "Do you have a buyer?" Answer: **I don't know until I preview your property**.

If they ask, "Why would you help me?" Answer: **Because if I can help you now, if you ever need my help in the future, you might consider me.**

Note If the FSBO Asks About a Fee If You Had A Buyer -- There are two parts to a real estate fee -- The marketing side and the side representing the buyer. For example, if you brought a buyer to the seller, you would ask for the sale side fee, typically half the "negotiated" fee.

What to Over the Next Four Weeks

When you have an appointment to preview the property, continue to ask the FSBO questions to learn more about their situation, their job, and many more to build a relationship. Hopefully, that will lead to their asking you about recommendations for staging or fixing problem areas. If you can advise them, do it since you offered to give pointers on marketing it. Remember, you are helping them, establishing a relationship, not promoting your abilities to sell it yet (unless they ask). Prepare some printed information to leave, such as home enhancement and staging tips.

Within a week of the initial conversation, if you could not get a preview opportunity, go to their door, or if necessary, on the phone, ask the same questions to get the FSBO talking, and you listen. Give marketing tips. One area of assistance in understanding the market in their area is to set them up as if they were a buyer on a kvCORE Property Alert, so when properties similar to theirs come on the market, they would get a notification. *(It provides an opportunity to gather an email address.)* They could view the descriptions and photos to be aware of the competition for buyers.

Within the following week, understanding you are building a positive relationship, provide in person, or if not, by phone and mail, some printed helpful information. You could also hand-deliver it to provide an opportunity for a face-to-face conversation, but if not, leave a large envelope. This packet could include a sample purchase agreement for your state obtained from a website, a buyer qualification form, and printouts of other properties in their area on the market or under contract. If they are relocating to another location, provide a relocation packet. At this point, they may be concerned or frustrated. Show empathy and give them help and encouragement (the opposite of most other agents.)

Within the next week, continue your conversations, and find out how they are doing. Ask if they would like you to give them a market evaluation of their property to help them in pricing (prepare a Market Data & Sales History Report in advance). Before presenting the data, show the first few pages of the GenStone marketing presentation to explain that real estate is a commodity and how buyers think and act to give them perspective. Don't give the full marketing presentation then unless you feel you can move forward.

Keep in touch at this point, sending texts and phone messages by continuing to offer advice and assistance. Then, when they are sufficiently discouraged and have their trust, ask if you could advise on how you can move from helping them sell to getting it sold for them.

The Potential Income Results of Establishing a Relationship with FSBOs

1. Get the listing, and it sells!
2. Assist them with purchasing another property in the area.
3. If moving out of the area, send a referral to get a referral fee from the referred agent's sale.
4. Ask the FSBO to give you the buyers' contact information who passed on the FSBO property.

FSBO wants to save the commission

Why would buyers give up the services they do not have to pay for paid through the brokerage fee? Why would they give up those services and professional help to buy a for sale by owner? The reason is that they think that they can make a lower offer by deducting the average brokerage fee. The buyer is looking to save in sales price -- the same amount the seller hoped to save.

Bad Experience with an Agent Previously

"Sorry to hear about your bad experience. Please tell me about it."

Let the FSBO unload, and you show empathy. It might allow you to explain how you usually handle that situation if it applies.