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Selling the homestead, without an agent

Real Estate Commission considers rule change to stem tide of limited service companies

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When Karen and David Hooks began buying and selling real estate in Albuquerque for their business Trinity Southwest Real Estate Services, they decided not to use a real estate agent to sell their homes.

"Realtors are becoming really obsolete," says David Hooks. "Basically, with technology, the Internet, there are better, cheaper ways to market your home than what Realtors do."

Over the last year, the Hooks have sold three homes without a traditional real estate agent.

"In the last three months of what I call 'The Investment Season,'" says Hooks, "the first one we sold was in less than seven days. The second one was in one hour. The third one took quite a bit longer, about 40 days."

Instead of using a real estate agent who runs an open house of the home, markets the home, shows it to potential buyers, and helps negotiate the selling price, the Hooks use a limited service agent who, for a flat fee, places the home on Albuquerque's Multiple Listing Service (MLS). The Hooks show the homes to potential buyers, negotiate a price, and close the deal themselves.

While commissions vary in a typical real estate transaction, 6 percent of a home's selling price often goes to real estate agents (this is usually split between the buyer's broker and the seller's broker).

David Hooks's position reflects a growing sentiment among home sellers nationwide that these commissions are excessive.

As a result, numerous companies -- both online and local -- have heeded the call to offer consumers another choice by providing alternative listings of homes for sale by owner and limited service, discount brokerages. But a pending decision by the state body regulating real estate could put the kibosh on this emerging business model.

The New Mexico Real Estate Commission will vote Feb. 22-23 on a rule change proposal that would require real estate agents to offer a minimum amount of service, including sales negotiations and closing procedures. FSBO companies say this will hurt their limited-service-agent businesses and New Mexico homebuyers.

Type "for sale by owner" into a Google search engine, and dozens of FSBO sites come up. Many offer a place for sellers to advertise a home for sale for a flat fee. Existing sell-it-yourself sites, such as craigslist, have seen a marked increase in homes listed as well.

The online real estate listing market is booming, says Colby Sambratto, chief operating officer of New York-based For-sale-by-owner.com, which was started in 1999. Sombratto says his firm has had average annual growth in its listings, revenue and site visits of 85 percent.

"We've done that without raising any capital," he says. "We've been profitable since day one."

Albuquerque has seen a spurt of FSBO Web sites and limited service offerings from real estate agents. The local sites take advantage of their hands-on, market expertise.

"We find that it works better to develop a locality because you can provide a better service," says Lisa Hebenstreit, part owner of FSBO New Mexico, an Albuquerque-based site that lists homes for sale and provides a yard sign for a flat fee.

"When I look at the listings for the national sites and I call them, the majority of them are outdated. No one is really managing them. So if you are a buyer, you quickly realize this isn't accurate. It's pretty obvious you have to have someone managing those listings and keeping the site useful and manageable to the buyers."

Hebenstreit's site has about 50 listings, most of them in Albuquerque, and gets between 1,200 and 3,000 visitors a day. The company's fees start at \$195 per listing, which includes a for-sale sign, listing on the Web site and some general advice, but not a listing on the Albuquerque MLS, which is extra. Hebenstreit says of the homes simply listed on her site, approximately 65 percent have sold. Of those listed both on FSBO Albuquerque and on MLS, 95 percent have sold.

The fees at FSBO sites range from \$150 to \$899. The higher the price, the more marketing help customers get.

Selling a home without a real estate agent requires that sellers get a market analysis on the home's worth from an appraiser, prepare the home for sale, market the home, negotiate the price, and handle the contract on their own, although assistance can come from other sources.

"One of the things we've run into is that the title company basically takes care of the transaction for you as a Realtor would do anyway," Hooks says.

But going it alone has its pitfalls, warn real estate professionals.

"Either you have a buyer who is looking for a bargain -- and what they're looking for is a seller who doesn't understand the market -- or a seller who has overpriced his home and is looking for a buyer who doesn't understand the market. Or you've got two people making smart decisions and saving money," says David Steinborn, president of the New Mexico Real Estate Commission. "Most for-sale-by-owner transactions are substantially over the market or substantially under the market. Because of that, somebody gets hurt in the deal. The agent's role is to make sure that doesn't that happen."

Even FSBO proponents recommend getting a professional market analysis done to price the home, and many recommend hiring a real estate lawyer to look over the contract once a price has been settled on.

The number of sellers who do not use an agent has taken 20 percent or less of the market share in the last few decades, according to the National Association of Realtors. The number of sellers who use no agent at all, according to a recent survey by NAR,

went down a notch last year, from 14 percent of all home sales in 2003 and 2004 to 13 percent in 2005.

But that 13 percent does not factor in the use of limited service agents. While no figures currently exist about the number of sellers who go that route, it is significant enough that many state real estate associations are passing laws to prohibit such bare-bones services.

In New Mexico, the pending action by the state's Real Estate Commission could restrict home-selling activity by limited service agents. The proposal, instead, would require real estate agents to offer a minimum amount of service, such as sales negotiations and closing procedures.

"That would require us to raise our prices," says Hebenstreit. "Right now, I am simply paid to put them in the MLS and give them a little guidance. [The new rule] would require me to provide a lot more guidance. It's not good for the public. It limits their choices, limits their options."

Regardless of how the commission votes, people are going to try to save money, and owners will continue to go it on their own, says Chris Shoemaker, who just took over the Albuquerque franchise of Homesbyowner.com. "I'm not trying to steal the real estate market," says Shoemaker. "But people are going to do FSBO's."