Real Estate

YOUR HOME | YOUR LIFE

Pocket Listings

One of the biggest trends in real estate involves Realtors unveiling listings before they hit the market. This allows them to build buzz for properties and theoretically close quicker deals.

Pocket listings have been a part of the real estate trade for decades, allowing lucky buyers to get a heads-up on potential listings before they are announced to the masses. Instead of employing such word-of-mouth strategies, coming-soon listings actually publicize the pending listing of new properties.

This allows for broader market reach and stirs the excitement for buyers looking for any edge they can get. From a seller's perspective, coming-soon listings can help increase the amount of interest and offers from the buying pool. This can lead to expedited transactions and a more seamless selling experience.

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HOW IT WORKS

The San Francisco Association of Realtors recently implemented a coming-soon status for its 4,000 members. Listing agents are able to enter listing details into digital software under the "new status" up to three weeks before the listing automatically becomes active. Agents also can add documents, virtual tours, marketing materials and showing details to the listing while it remains in coming-soon status.

The results of such listings have been promising for Realtors, buyers and sellers alike. An MLSListings study found that coming-soon listings in five Northern California counties increased from 15 percent in 2012 to 26 percent during the first quarter of 2013.

BECOME A MEMBER

If you want to be in the exclusive group of a real estate company, you may consider signing up with your brokerage's membership group. This can be as simple as providing your name and email address on the agency's website. You will receive promotional emails, new deals and exclusive property announcements.

If your local brokerage does not offer coming-soon or pocket listings, odds are that they will in the near future. The industry evolves to meet the demands of its audience, and both buyers and sellers are beginning to reap the benefits of these strategies.

Know Before You Show

In the wake of industry-shattering news of an Arkansas real estate agent being kidnapped and murdered after a showing in late 2014, there is a new focus on agent and public safety during the buying and selling process.

Nothing is more important that maintaining the safety and well-being of all involved in realty — even the potential of a big sale.

Realtors are trained to go after the lead, plain and simple. If they don't show the home to a potential buyer, an agent within a competing agency surely will. This drive to make the deal is what makes Realtors open to showing properties anytime, anywhere.

Unfortunately, people with bad intents know this information and may use it to their advantage to commit crimes.

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THE REALTOR SAFETY PLEDGE

The Realtor Safety Pledge is open to agents, brokers and members of the public. It was created by broker-owners of the 90-agent Century 21 Signature Real Estate firm in central Iowa.

It outlines the following safety tips:

- Under no circumstances show a home to a stranger without first meeting them at the office or asking them to submit identification.
- Educate my clients that open houses are a safety concern both for the homeowner and myself.
- Limit open houses as a marketing strategy and/or make prudent and safe decisions about my open house marketing efforts.
- Follow my intuition, and not step into situations that I feel uneasy about.
- Use the buddy system whenever I am unsure or uneasy about a showing or meeting.
- Make myself available to my fellow agents as a "showing buddy" should they ever feel the need to take someone along or feel unsafe.
- Seriously consider the nature of my personal marketing and its potential impact on my safety.

OTHER SAFETY GUIDELINES

If you are a seller, it is important to let your Realtor show your home. They are more likely to understand the dangers of selling a home to a stranger.

The occurrence of crimes such as the one in Arkansas generally puts brokers, owners and agents on high alert, and can also lead to intensive trainings. Let your agent go through protocols and policies to ensure a safe process.

Ready to Own?

No more landlords. No more rent. No more restrictions on what you can or can't do to your living space. If these sound attractive to you, it may be time to own your first home.

Before you lock yourself into a 30-year mortgage, it is up to you to do due diligence to ensure you'll be able to make your payments.

THE TIMING IS RIGHT

Except for home flippers and real estate developers, it really doesn't make sense to purchase a home that you'll only own for a few years. The high transaction costs of buying and selling a property means you could lose money on the deal, unless you secure an opportunity that is too good to pass up.

Falling home prices make the case against buying even stronger. This is because prices are unlikely to skyrocket within the two- or three-year period you will own the home, meaning you're unlikely to make a great profit.

THE FINANCES ARE RIGHT

On the financial side, one comparison to make is the cost of renting vs. owning. Remember to factor in the cost of the mortgage, property taxes and home insurance when building your comparison.

A 2013 study by real estate organization Trulia found that it is 35 percent less expensive to buy a home than to rent one in America's largest cities. This may not be the case in your region, so do some research and make an informed decision.

GET PRE-APPROVED

If you're looking to buy a house, your first plan of action is to determine a budget. This will help you define how much you're willing to spend on a new place.

With this information in mind, you're ready to make a visit to your bank to be pre-approved for a loan of that size or a little more. Obtaining a home mortgage is still relatively difficult today compared to the pre-recession years, so you may not be qualified to borrow as much money as you think.

It is a good idea both financially and emotionally to visit your mortgage specialist before you go on any home tours. The last thing you want to happen is to fall in love with a home before realizing it's not in your price range.

Real Estate Roadblocks

Whether you're a buyer or a seller, the experience of reaching an agreed-upon offer can be an extremely exciting one.

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But even if you're on top of the world, be prepared to take a fall. Escrow and lending procedures and rules vary by state and sometimes by bank, leading to a number of complicated issues that can terminate a deal.

INSPECTIONS

Most purchase offers have an inspection contingency. This allows the purchaser to back out in case the home inspection reveals serious problems.

If you didn't put this contingency in your contract, you may lose the earnest money you put up at the front of the offer process. Negotiating with the seller to have the home repaired can hold up the purchase and delay the closing date.

APPRAISAL ISSUES

The bank will have the home appraised in order to protect its interest in the home. The appraisal fee generally is paid by the buyer and will help the bank make sure the home is worth at least as much as you will be paying. This gives you an idea of what you're getting into and gives the bank a value for the home in case of a foreclosure.

If the appraisal comes in too low, the seller will likely have to lower the selling price or the buyer will have to pay cash for the difference. It may be possible to get a more favorable second opinion from a different appraiser, but many banks have an in-house appraiser they use for this process.

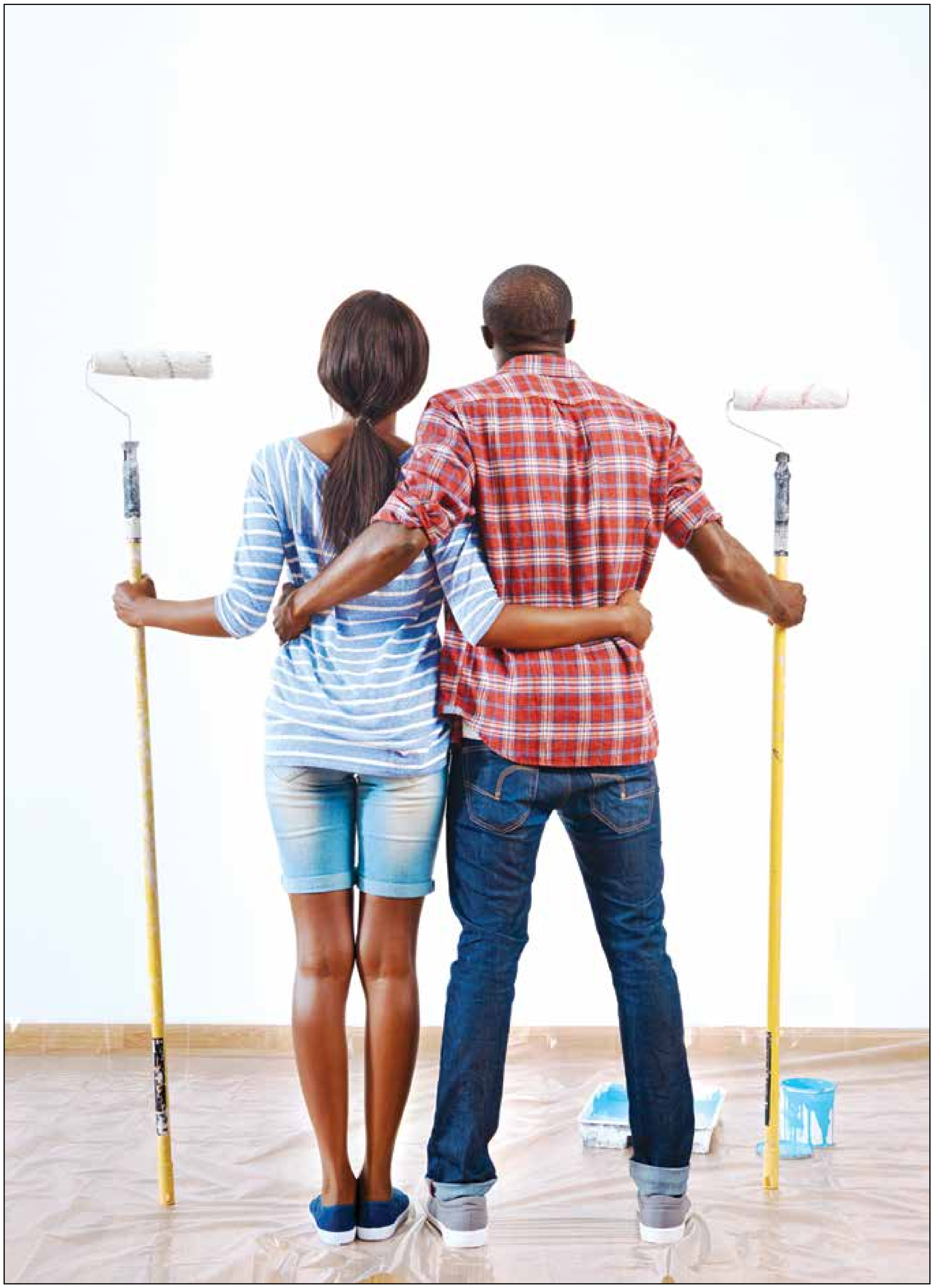
COLD FEET

As human beings, we are allowed to change our minds. In realty however, this can have a consequence. The agreed-upon contract will outline justifiable reasons for either the buyer or seller to back out without penalty.

These reasons can include not waiving a contingency or missing a deadline. Every deal is different, and failing to hold up your end of the bargain can lead to the loss of earnest money or even legal ramifications.

Buying a Fixer-Upper

Are you a handyman or woman inspired by the cable television shows that portray renovation and refurbishment projects as simple, straightforward experiences?



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There are some common red flags that may signal that you're in over your head.

Not only could these red-flag issues reduce or eliminate the potential of getting a bank loan, the repair could require more money and time than you're willing to invest.

Of course, if you are able to get a loan for the property, you may be able to talk the buyer into a reduced deal price, depending on how many issues you find. Take a notebook with you as you walk through the home and write down detailed notes on what will need to be repaired.

Do some research on your own to find out the estimated costs of making the necessary repairs, and use the information as bargaining power when going through the offer process.

SUBFLOOR ISSUES

Open or severely damaged subfloors should be an immediate red flag to any buyer. This type of disrepair poses potential health and safety issues for anyone living in the home.

ROOF ISSUES

Many resale homes can have aged roofs that may require immediate repair. Before making an offer on the home, call a couple of roof contractors to get a quote on repairs. Give them as much detail as possible on damaged shingles, bowing plywood or potential leaking issues to get an accurate quote.

EXPOSED WIRING

This is obviously one of the most dangerous issues a home could have, due to the potential for electrocution. Bank appraisers or home inspectors will suggest the immediate repair of such issues before a deal will be able to go through.

PEST DAMAGE

Home-wide damage from termites or rodents can sometimes be hard to spot by the untrained eye. If it is apparent upon your initial walk-through, you can figure that the issue will definitely need to be rapidly repaired – both for the health of buyer and the home's structure.

Selling to Friends and Family

Ever hear the adage "Don't mix business with pleasure?" The same can be said of mixing business with friends and family.

But just because many family business dealings may have gone sour over the years doesn't mean yours will, too. Whether you're on the buying or selling side of a real estate deal, it is important to establish clear guidelines at the beginning of any negotiations to make sure both sides get what they want.

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OWNER-FINANCED SALE

If you're looking to avoid going through a lender for the sale of your home, one of the best options may be the owner-financed sale. This is a deal in which your friend or family member makes monthly payments to you instead of to a bank.

This route could save the buyer thousands of dollars in interest and help a friend or family member with low or poor credit. Both sides should sit down to work out a deal that financially fits their budgets.

Even in an owner-financed sale, it is a good idea to seek the services of a real estate lawyer to put the agreement on paper. This way if your friend or family member defaults on payments, it will be easier for you to legally take back the property without having to deal with any he-said-she-said conflicts.

'GIFTING' A HOME

Many people sell an extra home to a son or daughter at a steep discount. To avoid a big capital gains tax hit, the buyer must then use the house as his principal residence for two out of the five years that precede a resale.

If a seller gives too much of a deal, the Internal Revenue Service has the power to stick the seller with a gift tax. Selling a home for 25 to 30 percent or more below its estimated market value to a family member may raise an IRS red flag.

Real Estate Glossary

If balloon payments and capital gains have you confused, this article is for you! Real estate can be a tricky field to master, especially considering all the jargon in the industry.

Read the following list to get a better grasp on some of the more perplexing terminology, with some definition clarification from the National Association of Realtors and the Encyclopedia of Real Estate Terms.

Annuity: Regular fixed payments or receipts over a designated period of time.

Balloon payment: The final payment of the balance due on a partially amortized loan, including those built for contract for deed transactions.

Capital gain: Taxable income derived from the sale of a capital asset, such as real estate.

Cost of occupancy: Expenditures required to maintain occupancy of a space, including rent or mortgage payments.

Due diligence: The act of examining or investigating a property and all related documents. Conducting your own due diligence before a real estate transaction can save time, money and legal issues.

Liquidation value: Likely price that a property would bring in a forced sale, such as a foreclosure or tax sale.

Property type: Classification of real estate that is broken into four main types (retail, industrial, office and multi-family).

Proprietary data: Information obtained from private firms that hold the exclusive rights to manufacture and distribute such content. The information generally covers business, sales and market-potential data to a targeted audience.

Rent escalators: Items specified in a lease, such as base rent, operating expenses and taxes, that are eligible for increase by predetermined amounts at stated times.

Street-based mapping: Tracking applications that allow the user to map objects such as commercial properties or retail establishments by street address.