

Property Selling Tutorial



Alex Schauffert
Broker/Owner
DRE#01216432
Since 1996

newstandardrealty.com
alex@newstandardrealty.com

Call Alex today!
(707) 332-8301

NEW STANDARD REALTY



Table of Contents

Is Now A Good Time To Sell	3
Fast, Off Market, Off MLS, Sales	4
How Much To Ask For Your Home	5
Get The Most For Your Home	6
Selling Rental and Commercial Property	7
1031 Exchange and Reverse Exchange Explained	8-10

Is now the best time to sell?

It's a great time to sell. Prices are reasonably high and there is not much inventory which means if you price your home fairly it will sell. Home prices may continue to climb slowly but at such a slow rate they will barely keep up with inflation, which means they're not really going up. There is also a risk of more homes coming on the market versus new qualified buyers coming on the market. This could cause an abundance of inventory. If supply outweighs demand, prices fall. In conclusion I feel there is a slightly higher risk of prices coming down versus going up.

Scenarios affecting future home prices. Many upper-middle-class retirees are downsizing and/or moving out of state, selling their homes, creating a greater supply of better, more expensive homes for sale. Higher home prices, higher interest rates and a mediocre economy, is making it harder for new homebuyers to qualify to buy a home thus creating less demand.

My predictions for 2024:

Interest rates or prices need to drop just a bit. One of them has to give a little.

We are being told interest rates may come down ½ to 1% later this year.

Housing price movement is pretty flat right now but will move up or down the opposite of what interest rates do.

Fast, Off Market, Off MLS, Sales

Fast, off market Sales are Not Recommended! A fast cash sale to an investor who solicited you is always at a significantly lower sale price. Typically, they offer 25%, or even lower, under market value and try to convince you it's a good deal because they'll take your house as is and you will not pay real estate commissions. Even though a seller would save on real estate commissions with this type of sale, they would still net roughly 20% less (or worse) versus selling on MLS with an experienced and caring licensed agent.

These investors pretty up the home a little and put it back on the market for huge profits. The industry term for this is "Flipping".

If you need a quick sale and your home needs a lot of work, I suggest listing it with a reputable real estate company (Hopefully New Standard Realty) and have it posted on multiple listing service (MLS). Set the listing price to net you more than you would receive in the all-cash offer from the investor. Price the home below average market value and state you want an all-cash offer, AS IS, and wish to close as quickly as possible. This approach will bring in multiple investors competing to be the buyer of your home, even bidding the price up. Your home would likely sell quickly and net you more money than an off MLS professional buyer who solicited you.

If you are still considering selling direct to an investor without listing your home for sale on MLS, please consult one or two professional real estate agents with regards to how much they estimate you will net, using their services, to sell your home and compare that to what you will net selling direct to the investor. Then you will be making a clear and informed the decision.

How Much To Ask For Your Home

Most real estate agents will gladly offer that information to you. If you don't wish to meet a human being, there are many online real estate sites that offer their opinion on your home's value such as Realtor.com – Zillow - Redfin and many others. I have found averaging the information from the sites if not accurate at least a pretty good ballpark, especially with regards to track housing. If you want a more accurate number [reach out to me](#).

How much have similar homes in your neighborhood recently sold for? These are referred to as comparable sales or comps. Similar homes in the same neighborhood typically sell for a similar price within a month or two. That is approximately how much your home will sell for.

Always within the same neighborhood adjust for:

- **House Size:** I take 25% of the Square Foot % difference. **Example:** If a home is 50% larger ($50\% \times 25\% = 12.5\%$) it might be worth 12.5% more.
- **Upgrades:** In your home compared to the comps. 0% to 15% price difference +/-
- **Lot size:** Surprisingly, rarely more than 3% to 5% +/- for extreme differences
- **Landscaping:** 1% to 5% price difference, depending how beautiful.
- **Floor plan:** More desirable versus less desirable floor plans 1% to 6% +/-
- **Lot location:** Example, busier street versus cul-de-sac, up to 10% +/-
- **Added Amenities:** Such as Jacuzzi, sauna, swimming pool, built-in barbecue all add value but rarely anywhere near what they cost and often much less than half.
- **Views:** This is subjective, but I look at how obtainable and spectacular the view is and from how many important rooms is the view readily seen. Oddly, the same spectacular view in a starter home neighborhood might add as much as 10% to 15% to a home's value and in a higher priced neighborhood might add 15% to 30% and in the highest price neighborhoods might add as much as 100% (doubling) to a home's value. If the view is not very spectacular and / or only visible from a very limited portion of the house such as one bathroom or one non-master bedroom, it made add little to no value.

Remember, the neighborhood boxes in your value often more than all of the above combined.

Disclaimer: All of the above is a rudimentary guideline for those who wish to play with the information. Although it might prove to be somewhat accurate, it is not a substitute for the opinion of a licensed appraiser or an on-site (has been to your home) real estate professional. And remember, the decision of how much to price your home when offering it for sale is your decision to make.

Price it low and you will attract the most viewers and likely bring in multiple offers, some of whom will bid the price up.

Price it high and your home might stay on the market a long time. This usually makes potential buyers leery, causing them to offer less than they might have.

Get The Most For Your Home

Things that can get you a little extra when selling your home:

Price the home at a fair price. If you price it too low, you'll likely get a bidding war which is a good thing. If you price it too high, it might not sell or stay on the market for too long prompting buyers to offer even less. Also, if priced too high, your home could sit on the market long enough to see the market turn down. That's dangerous because the market could change quickly.

Beauty Sells - De-clutter, Clean, Stage!

There's no such thing as too little clutter or too clean or too beautiful. There's also no such thing as too much light, so I recommend the brightest bulbs that can safely put in all fixtures. Beauty brings emotional attachment and buyers typically pay more for that.

Consider fresh paint inside and out (let your stager pick the colors), consider professional staging. It's so important I have often paid for professional staging myself when selling my clients' homes. Freshen up the landscaping. Making a home look better in getting top dollar is something I do very well. If you're not in contract the real estate agent I'm happy to come out and give you my opinion on what to do.



Alex Schauffert

Broker/Owner

Since 1996

DRE #01216432

(707) 332-8301

Alex@NewStandardRealty.com



Since 2005

Selling Rental Property

When selling rented single-family homes, it is easier to sell a vacant home. It is also easier to get a higher price for a single-family home if vacant. This is because the home can be cleaned, painted, decorated and staged to show at its best. There will be fewer limitations on showings. There will be no tenant present to potentially make buyers feel uncomfortable or badmouth the property. If a potential owner / occupant wishes to purchase the home they don't need to deal with an existing tenant. Also, potential owner occupant buyers are typically willing to pay more for a home versus landlords looking to rent it. Potential owner/occupants are often uncomfortable asking a tenant to move, even assuming there is no lease protecting the tenant.

Legally all rental laws need to be followed. No exceptions! Morally if a tenant's lease is legally not being renewed due to a sale, you need to know that tenant's life is being turned upside-down. Be respectful.

When selling multi-unit residential and commercial properties the higher the net income the more the property is worth. The value is closely tied to the CAP rate. The CAP rate is the net return as a percentage of the purchase price.

If the current rents are not as high as they could be, then advertising a realistic potential rent is possible. This is called Pro-Forma rent. If this is done, it is best to have 1 vacancy that is dressed to its best to show potential buyers how nice the units can be, therefore justifying the higher Pro-Forma rent.

Though the CAP Rate is paramount, the quality, condition and age of the property, the certainty of future income, the desirability of the neighborhood, current interest rates and any existing liabilities or deferred maintenance all combine to determine the value.

Properties in the most desirable neighborhoods often sell at lower CAP Rates and properties in the least desirable neighborhoods often sell at higher CAP Rates.

The following 1031 information was graciously provided by Jeff Yonamine of [Exchange Resources Inc.](#) San Diego California.

A 1031 Tax Deferred Exchange is one of the last tax shelters allowed by the Internal Revenue Service. It is a transaction in which a taxpayer exchanges investment property for like-kind property and defers the payment of capital gain taxes. Like-kind property is defined by the IRS as all real property held for the productive use in a trade or business or for investment purposes. Properties which are clearly not like-kind are a taxpayer's primary residence, vacation home and second family homes that are for personal use only.

- The exchange must be opened before the close of escrow on the relinquished (sale) property.
- The taxpayer must identify the replacement property (purchase) property within 45 days from the close of escrow of the relinquished property.
- The taxpayer must close the replacement property within 180 days from the close of escrow of the relinquished property or the tax return filing date of the relinquished property, whichever comes first.
- The taxpayer must reinvest all net proceeds into the replacement property.
- The taxpayer must obtain equal or greater debt on the replacement property than was on the relinquished property.
- The taxpayer must keep title vesting the same from relinquished property to replacement property.
- The cost for doing this is around \$750.

By following these requirements, the taxpayer may shelter the capital gain taxes into the replacement property. This creates more buying power for the taxpayer versus if the capital gain taxes were paid at the time of the sale. The taxpayer gets to invest the taxes into the replacement property interest free from the IRS.

When considering an exchange, New Standard Realty and Exchange Resources, Inc. highly recommends that the taxpayer seek counsel of their CPA and attorney to obtain professional and legal advice. NSR and ERI cannot and do not provide advice regarding specific tax consequences.

Can You Buy the Replacement Property First?

Yes, with a 1031 Reverse Exchange but...

1031 Reverse Exchange: This is the process of buying the intended exchange property before selling the already owned intended exchange property. This is more costly, often over \$5,000, typically requires an all-cash purchase and, like the regular 1031 exchange, requires strict adherence to 1031 tax law.

The reverse exchange is a “parking arrangement” that allows the tax- payer to purchase the replacement property first and then sell the relinquished property within 180 days. This allows the taxpayer to acquire a desirable replacement property and eliminate the pressure of the 45-day identification period. The title to either the replacement property or the relinquished property must be “parked” with the Exchange Accommodation Titleholder (EAT). The first arrangement is parking the replacement property. The taxpayer loans the funds to the EAT to purchase and acquire title to the replacement property. A note and deed of trust is given to the taxpayer of the loaned funds. Once the relinquished property is sold, the sale proceeds are used to pay back the taxpayer’s note and the replacement property is exchanged to the taxpayer.

The second arrangement is parking the relinquished property. The tax- payer deeds the relinquished property to the EAT. The EAT leases the relinquished property back to the taxpayer. Once the relinquished property is sold, the sale proceeds are used to pay back the taxpayer’s investment into the replacement property.

Additional Issues:

If financing is involved, the lender would most likely ‘not’ allow the Qualified Intermediary to hold title to the replacement property. There- fore, the relinquished property must be transferred to the EAT. This transfer might cause the lender to enforce the ‘due on sale’ clause and the county to reassess the property and charge property transfer tax fees.

1031 Exchange for vacation property

The IRS has recently provided guidance (**Revenue Procedure 2008-16**) to taxpayers to help determine whether a dwelling unit qualifies as property held for the productive use in a trade or business or for investment under section §1031 beginning on March 10, 2008. This guidance provides a safe harbor under which the IRS will not challenge whether a dwelling unit will qualify for an exchange if certain requirements are met. The IRS specifically addressed vacation homes and indirectly addressed the conversion of a principal residence into qualifying relinquished property prior to an exchange or conversion of a replacement property into a personal residence after an exchange.

A dwelling unit is defined as any real property improved with a house, apartment, condominium or similar improvement that provides the basic living accommodations including sleeping space, bathroom and cooking facilities.

Under the safe harbor, a dwelling unit qualifies for an exchange property if:

1. The relinquished property is owned by the taxpayer for at least 24 months immediately before the exchange and the replacement property is owned for at least 24 months after the exchange, and
2. In each of the two 12-month periods before and after exchange:
 - a. The taxpayer must rent the property to another person at a fair rental for 14 days or more, and
 - b. The taxpayer's personal use of the dwelling unit does not exceed the greater of 14 days or 10% of the number of days during the 12-month period that the dwelling unit is rented at a fair rental.

A few of the factors the IRS considers in determining whether a dwelling unit has been used for personal purposes includes: **(1)** use by the taxpayer or any other person who has an interest in such unit (including a tenant in common), or by any member of the family of the taxpayer or such other person; **(2)** use by any individual who used the unit under an arrangement which enables the taxpayer to use some other dwelling unit (whether or not a rental is charged for the use of such other unit); **(3)** use by any individual if rented for less than fair market value. A taxpayer may rent the dwelling unit to a family member if the family member uses it as a primary residence and pays fair market rent.

'Fair market rent' is determined on all the facts and circumstances that exist when the rental agreement is entered into, and all rights and obligations of the parties to the rental agreement are taken into account.

A safe harbor simply provides a way to complete an exchange without being challenged by the IRS on a particular issue. It is very important to understand that a dwelling unit may not meet the guidelines provided under the safe harbor and still qualify under the statutory requirements. However, the IRS indicates those exchanges that do not meet the safe harbor guidelines will be subject to scrutiny.

NEW STANDARD REALTY



Alex Schauffert

Broker/Owner

Since 1996

DRE #01216432

(707) 332-8301

Alex@NewStandardRealty.com



Since 2005