

As a Listing Agent, I Used to Think Buyer Agents Were Overpaid, But Not Anymore

Fourteen years ago, when I started listing homes, I thought that buyer agents got too big a share of my listing commission. I would list a home for, say, 5.5% or less (in order to win the listing), but be locked into giving 2.8% — more than half — of that listing commission to the agent who brought the buyer. Once I tried offering 2.5%, but found that fewer agents showed my listings, so I went back to 2.8%.

Here I was, spending money and doing most of the work — listing, advertising, holding open houses, printing brochures, buying the signs, paying for the showing service, and so much more — and an agent who does little more than show the listing and write the contract gets more than I do at the closing table!

I don't feel that way any more, especially after

REAL ESTATE TODAY



By **JIM SMITH, Realtor®**

representing many buyers in this two-year-old seller's market.

As in the past, I earn roughly half my income from working the buyer side of transactions, but it can become a long, drawn-out process, showing scores of homes and writing many contracts before reaching a closing table and getting paid my commission. And the lower the listing price, the longer and more frustrating the process, because those are the listings which attract the most bidders.

Sure, there are those occasional transactions which come easy. Maybe I spend one day showing a few listings, write a contract, and I get my buyer under contract. More typically, however, I'll show 10 or more homes before I write the first offer, lose out to a higher bidder, show more homes, submit another losing offer and maybe repeat this cycle a half dozen times before getting an accepted offer.

Don't get me wrong — for every two or three difficult buyer transactions, there is a straight forward one to make up for it, but if it weren't for those occasional easy transactions, I don't know how a buyer's agent could survive financially — or emotionally!

Sad to say, the struggle to capture a home against competing buyers is particularly hard for our veterans who take advantage of zero-down-payment VA loans. Just this month we are closing two transactions for buyers using VA loans, and it was a long, hard road for both of them. FHA buyers, who can borrow 96.5%

of the purchase price, have it nearly as hard.

The reason is that sellers wisely accept cash offers or offers using conventional loans (with 20% or more down payment) over buyers taking advantage of these government loan programs. The reason is twofold — over and above the obvious element of financial strength.

Both reasons have to do with appraisal. In this seller's market, it's not uncommon for homes to sell for more than their appraised value. A cash or conventional buyer will usually agree — and even insert it in their contract — that they won't seek a price reduction if the appraisal is low. A buyer who is putting nothing or 3.5% down may not have that luxury.

More importantly, though, both FHA and VA appraisers make their appraisals contingent on certain health and safety repairs about which the buyers themselves may not care. Included are such things as scraping and repainting trim with peeling paint (no bare wood is allowed), or installing hand rails on stairs. As much as sellers may want to "support our veterans," you can see why they choose cash or conventional buyers over FHA or VA buyers.

Remember, agents are only paid at closing, and often a buyer's agent will put in months of effort, show countless homes, write several contracts and *never* see a paycheck because the buyer gives up. All that work for nothing! That's another reason I no longer think buyer agents are overpaid.

Understanding the Resale Value of Roof-Top Solar Installations

As a well-known proponent of solar power and electric cars, I am often asked for advice about installing roof-top solar by homeowners wanting to know how much value it will add to their house. Here's what I tell them.

There are three ways to obtain roof-top solar photovoltaic (PV) systems: outright purchase, 20-year lease paid monthly, and 20-year lease paid in full up-front. My first advice is don't buy *or* lease unless you intend to live in your house at least five more years. If purchased, you won't get back much of what you invested and if leased the requirement to assume the lease may not appeal to some buyers (even though it's a good deal for a buyer).

Solar sales people may tell you that you'll increase the value of your house by a high percentage of what you spend for your system, but I don't see any basis for that claim. If it's paid for, the system will, perhaps, help your house sell faster than a competing listing, but not for \$20,000 more. It all depends on the market and existence of competing listings at the time, which can't be predicted.

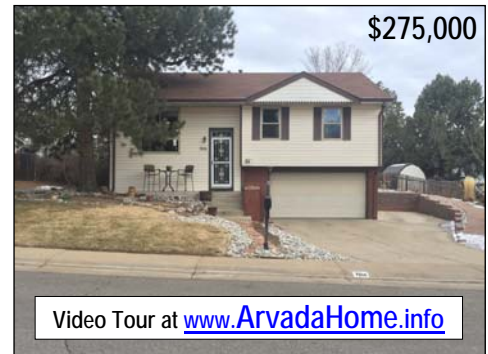
On my blog (www.JimSmithBlog.com) I have a link for a 2014 study which says an owned system adds \$4/watt to a home's value, but, again, it depends on the market — and I'm not seeing it.

If you see yourself staying in your house a long time and maybe buying an electric car, the decision is an easy one. The paycheck is quick enough (under 10 years), and you'll live without a big electric bill and enjoy free fuel (electricity) for your car.

This Week's New Listing from Golden Real Estate

You'll Love the Master Suite in This Arvada Bi-Level

This home at 7614 Vance Drive is located a couple blocks west of Wadsworth, across from the Indian Tree Golf Course. Inside you have 4 bedrooms and 2 bathrooms, but the master suite in the basement is non-conforming in that it doesn't have a door since the owners live here alone. The next owner could easily add a door. Upgrades you'll appreciate include the high efficiency forced air furnace, a master bath with 6-foot jetted tub, and the 14'x14' sunroom. The backyard features a fabulous brick patio, garden, hot tub, two storage sheds and dog run. The oversized 2-car garage is drywalled and heated with a RaceDeck vinyl floor. All appliances — even the high efficiency washer and dryer on pedestals — are included. The RV space is suitable for a 24' boat trailer. Hackberry Hill Elementary, with its gifted & talented program, is just one block away. I'll be holding this fine home open this Saturday, 1-4 p.m. Or call me for a private showing.



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