

10 MOST COMMON MISTAKES MADE BY SELLER & BUYER

RE/MAX ESCARPMENT
REALTY INC., BROKERAGE
INDEPENDENTLY OWNED & OPERATED

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MISTAKE

Avoid The 10 Most Costly Mistakes Made by Sellers

1. Choosing an agent based on the highest listing price

While it may be tempting to go with the agent who suggests the highest listing price, this practice, often called “buying the listing,” can lead to subsequent price reductions and longer time on the market.

2. Selecting an agent based on the lowest commission

An agent who values their own expertise and service will better advocate for you during negotiations. Choosing someone based on the lowest fee could impact the value they bring to your sale.

3. Overpricing your home

Pricing your home correctly from the start is key to ensuring a successful sale. Listing it too high and then adjusting the price to market value after a month or two can lead to missing out on the ideal market window, often resulting in selling below market value.

4. Neglecting to stage your home

Home staging and decluttering can significantly enhance your property's appeal, leading to quicker sales and potentially higher offers.

5. Failing to disclose known property flaws

It's important to disclose any known defects before listing your home. Not doing so can result in legal complications post-sale. Be familiar with the differences between latent and patent defects.

6. Overlooking your mortgage details

Review your mortgage documents, particularly any discharge penalties, before selling. Knowing whether your mortgage is portable or the cost of breaking it can prevent costly surprises.

7. Trading up in a rising market

In an up market, the value of your current home may have increased, but so has the cost of your desired larger home. This often results in a net financial loss when upgrading.

Example:

A) Trading Up in an Upmarket.

Value of existing home	\$800,000	
Market Increase 10%	<u>\$80,000</u>	
Selling Price		\$880,000
New home Purchase Value before increase	\$1,200,000	
Market increase 10%	<u>\$120,000</u>	
Purchased for		\$1,320,000

The seller gained \$80,000 on selling their existing home but lost \$120,000 when upgrading to the larger home resulting in a net loss of \$40,000.

8. Trading down in a down market

In a down market, selling your larger home and downsizing can also lead to a net loss, as your current home will have lost more value than the smaller property you're purchasing.

Example b.)

Value of existing home	\$1,200,000
Market drop 10%	<u>\$120,000</u>
Purchased for	\$1,080,000
New home purchase value before decrease	\$800,000
Market drop 10%	<u>\$80,000</u>
Purchased for	\$720,000

The seller lost \$120,000 on selling their existing home and gained \$80,000 when downgrading, resulting in a net loss of \$40,000.

9. Trading up in a down market

While not as common, upgrading in a down market may be a smarter investment. The value lost on the current home is often outweighed by the savings on the larger home, resulting in a positive net gain.

Example:

"Trading Up" in a Down Market

Value of Existing Home	\$800,000
Market Drop (10%)	-\$80,000
Sold For	\$720,000

New Home Value Before Market Drop	\$1,200,000
Market Drop (10%)	-\$120,000
Purchased For	\$1,080,000

The seller lost \$80,000 on selling their existing home and gained \$120,000 when upgrading, resulting in a net gain of \$40,000.

10. Not researching your sales representative

Before selecting an agent, ensure they are dedicated, full-time professionals with the right skills and resources to handle the sale of your property. A quick online search or a visit to the RECO website can provide valuable insights.

With 35 years of industry experience, I am dedicated to providing exceptional service and achieving outstanding results. My commitment is to ensure your real estate experience is a complete success.

Avoid the 10 Costliest Mistakes Buyers Make

1. **Not getting properly pre-approved before house hunting:** Many lenders offer only basic pre-approvals, which may not include a thorough credit check. This can lead to a buyer discovering too late that they can't actually afford the home they've just purchased.
2. **Skipping a professional property inspection:** While it might be tempting to save money by having a friend or relative inspect the property, it's essential to hire a qualified and insured building inspector. An inexperienced or uninsured inspector could be held liable for damages during the inspection or for providing incorrect advice.
3. **Failing to budget for closing costs:** Some buyers are unaware of the additional costs involved in closing a deal. If not budgeted for properly, a shortfall can occur, leading to the deal falling through and potential damages being awarded to the seller.
4. **Using an out-of-town real estate agent:** A salesperson unfamiliar with the local market might miss crucial details about the area, such as environmental or socio-economic factors, which could impact your decision after the sale.
5. **Incurring debt before closing:** Buyers often make the mistake of taking on new debt, such as buying furniture or leasing a car, before the deal closes. If the mortgage lender re-checks credit before closing and finds the buyer's debt ratios have changed, the loan could be denied, leading to legal and financial consequences.
6. **Buying in a bad location:** Location is key. Even if a home looks perfect, buying in a poor location can affect long-term value. Don't let beautiful renovations distract you from evaluating the quality of the neighborhood.

7. **Not researching the property's history:** Take advantage of available technology and research the home's past, including previous sales, criminal activity, or any other potential red flags like deaths or suicides.
8. **Not understanding RRSP down payment rules:** RRSP funds need to be locked in for 90 days before you can use them for a home purchase. Not knowing this or failing to save enough could lead to higher costs, especially in an inflationary economy.
9. **Not researching your real estate agent:** Know who you're working with. Is your agent full-time or part-time? Are they easily accessible and equipped with the tools and negotiation skills to guide you? Research them online or through the RECO website to ensure they're the right fit for you.
10. **Neglecting to vet your real estate agent:** Ensure you choose an agent who is fully committed and operates full-time. They should possess the expertise and tools needed for a successful property sale. Conducting a simple online search or checking their credentials on the RECO website can provide valuable insights into their qualifications and track record.