

In Real Estate, Sometimes it's "Sellers Beware"

By David Cook

Is it your dream to own a world-famous restaurant and café? How about buying and running a historic movie theatre? Maybe you would just like to buy an office building with high-visibility for your business? Perhaps you just want to buy that dream home, but somehow it was sold in less than a day. All you need is to see that "for sale" sign go up or get that call from your diligent real estate agent because you are pre-approved and ready to make an offer! Unfortunately, it's not about "snooze you lose" anymore, it may be that you never had a chance in the first place.

Lately, Snoqualmie Valley, and in particular North Bend, has been a flurry of real estate activity "off-market" meaning the properties were not listed on any multiple listing service. Off-market usually means FSBO (For Sale by Owner) or non-real estate agent assisted and has been a common practice for years. Surprisingly, most of this recent off-market activity has actually been agent-assisted.

The scenario goes some-

thing like this: a property owner wants to sell and is referred to a professional real estate agent. Whether it's the desire to save on a commission fee or the agent's desire to not share the commission fee with cooperating real estate agents, the property is quietly marketed only through that agent's or agency's sphere of influence.

If the agent has the seller sign an Exclusive Sale and Listing Agreement and does not list the home in the multiple and begins marketing the property, it's called a "Pocket Listing" and they are prohibited by multiple rules. You will see these when abnormally low commission fees are offered whereby there is not enough commission (usually 3.00% or less) to list the property on the multiple and offer a selling commission to cooperating selling agents. These homes will sometimes be entered in the multiple as "Sold" or appear in contract within hours of being entered into the computer.

Now, sellers have many reasons for wanting to sell off-market. For example, maybe there is a tenant involved and they

don't want to disrupt the tenant's use of the property. Maybe a prospective buyer approached the seller and made a deal long before and they just want the agent to write-up the Purchase & Sale Agreement. Most of the time, they are convinced that they will benefit from a huge commission savings. Sometimes this may well be true, especially if the seller is a seasoned real estate investor or very comfortable with the value of the property. As for others, it can come with significant risk in the form of opportunity cost.

Off-market sales are nothing new. One of the most notable is the 1989 sale of the property now known as Torguson Park. The elderly Mrs. Torguson sold the property off-market to a savvy developer for \$201,000. Ten months later, the property was sold to the City of North Bend for \$960,000.

No matter how much of an expert your real estate agent is or how influential they may be, selling your property through one real estate agent or agency off-market limits you to their sphere of influence and opinion of value. When you list your property on the open market,

it exposes your property to thousands of real estate agents and their potential buyers. Your property can be seen by buyers across the state and the world through the power of the Internet. If your asking price is too low, the market has a way of correcting itself when you receive escalating multiple offers.

Here is the best advice I can give you: Seek the opinions and advice of several established and knowledgeable real estate agents. If possible, always list your property on the open market through the real estate multiples and negotiate a fair and reasonable commission fee. You will never know what the market will bear for your property if you never expose your property to the open market. In most cases, no savings of a real estate commission will account for the potential capital gains of a free and open market.

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