

8 hazards of trying to sell privately

Selling your home yourself and keeping the commission in your pocket instead of paying it to an estate agent may sound like a good idea, especially in a busy market, but you should be aware of the dangers before you decide on this approach.



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So says Berry Everitt, CEO of the Chas Everitt International property group, who notes: “We find that most DIY or private sellers are homeowners who need to sell in order to get out of financial trouble, and have taken this route in the hope that saving the commission will mean they won’t have to ‘pay in’ to settle their home loan after the sale.

“Unfortunately, though, they often fall into one of the many potential pitfalls of selling privately, and end up even worse off. We see this every day, and we would like people to be aware of the hazards and think carefully before they decide to dispense with the services of a professional agent.”

The dangers of selling your own home, he says, include the following:

- **You carry the all the costs of advertising and marketing**, whether or not you sell your home. And not only that, you will have to try to gauge which advertising media might be most effective, and place and monitor your own ads. You will also need to get your own for-sale boards made and put them up and take them down in accordance with your local authority’s signage bylaws. And finally, you will need to organise and run your own individual viewings, which come with all sorts of complications and legal requirements and liabilities at the moment because of the Covid-19 pandemic. A reputable agent, on the other hand, will be following the strict industry guidelines for viewings, and your risks will be significantly lower as a result.

- **Lack of exposure.** Most private sellers don't have the knowledge or resources to expose the property to a big enough pool of potential buyers and create enough awareness. Good estate agents, on the other hand, will have access to existing buyer bases as well as national and international advertising and marketing channels including property portals like Private Property and Property24.
- **Lack of market knowledge and pricing ability.** If you don't have access to the latest sales records and statistics, it is very difficult not to over- or under-price your home with regard to the current demand in your area. And buyers are so savvy these days that if your home is overpriced, no-one will make an offer; while if it is priced too low, you will lose out financially and defeat the purpose of selling your own home in the first place.
- **Lack of experience / skill in negotiation.** It is still a buyers' market in most areas and most buyers are tough negotiators at the moment, having done their homework and research. The first thing most will tell you, for example, is that if you are selling privately and not paying commission, the saving should go to them and not you. On the other hand, most sellers are not practised negotiators and will find it difficult if not impossible to achieve the detachment necessary to reach a mutually beneficial agreement.
- **Legal and liability issues.** Apart from the need to achieve familiarity with sale agreements and all sorts of other legal documents – or to pay an attorney to check them – private sellers also potentially face all sorts of liability issues when they are dealing with a buyer one-on-one. Laws dealing with property sales have become much more numerous and more complicated in recent years, and the new Consumer Protection Act is just one of the minefields that have to be crossed in order to achieve a successful sale.
- **Unqualified buyers.** There may be many people wanting to buy but with the banks being so strict on credit, only around half of them at best can actually qualify for a home loan. However, it is very difficult for private sellers to establish the financial capabilities of potential buyers so they don't waste time with people who won't qualify for a loan, people who don't have enough cash for the deposit and transfer fees or worse, people who are trying to 'scam' them into giving them occupation of their homes.
- **Security.** As a private seller, you have no screen between you and potential buyers – or potential crooks who may use the opportunity to get inside your home and either steal things while looking around, or "case" the property and security systems for a much bigger crime at a later date.
- **Holding costs.** If your home fails to sell because it is overpriced and/or underexposed, you will just have to keep on paying your bond, rates and taxes, electricity and water charges, insurance premiums and security and maintenance costs – and these 'holding costs' can quickly mount up to more than the potential saving of not paying an estate agent commission. Take an example of a home that is on the market for the current average SA home price of around R1,1m, for which a good agent would charge a maximum commission of around R77,000 (7% of the price). The holding costs on such a property are likely to total at least R13,500 a month if we conservatively estimate a monthly bond repayment of R8,500, rates of R500, utility charges of R2,500, HOC and bond insurance of R1,000 and security and maintenance costs of R1,000. This means that the holding costs would outstrip the commission amount within six months – and that is six months in which you might have lost out on a great deal on a new home, or simply been prevented from being able to move on with your life.