

The buck doesn't stop here: In defense of realtors

When I began writing this column, I promised to keep you informed about the state of the real estate market in our area. Here's an update in a nutshell. It's bad news. I can't sugarcoat it.

The real estate market in the Cape May area remains slow and doesn't show strong signs of improving.

Not that we are alone in this condition - most of the country is in the same serious slump. You can't pick up a newspaper or watch the evening news without dire reports of huge numbers of unsold inventory, decreases in home values, foreclosures and people just walking away from their homes.

Recently I read in the paper that New Jersey has the nation's 13th highest foreclosure rate.

Here are some reasons for this condition. Banks are hesitant about granting mortgages because there is no market for investors to buy them. Money is extremely tight. Buyers need a hefty down payment, usually at least 25-percent to 30-percent today, as well as impeccable credit scores and lots of formal documentation

on their salary, assets and ability to pay. Imagine that to purchase a \$500,000 home, a buyer needs to put down \$150,000 in cash. Most potential buyers are waiting for the market to "hit bottom" before making offers to buy property. I have no idea when that will be or how we will know when it's here.



**Real Estate
Reality**

By Suzanne Smigo

The primary buyers for our area are investors or second home buyers. Without many full time job opportunities, few if any are transferred to Cape May or have to buy here to be close to work. These potential buyers already have their primary homes and are waiting for the dust to settle on the mortgage crisis and prices to fall even further before they make a move to purchase another home.

I did a cursory check of how many properties sold in Cape May, West Cape May and Cape May Point between January 1, and June 17, for the past four years. Including all single family homes, business and commercial sales, multi-family homes, land, condos and townhouses, here is the breakdown:

YEAR	CAPE MAY	WEST CAPE MAY	CAPE MAY POINT	TOTAL
2005	90	17	10	117
2006	70	14	7	91
2007	60	18	5	83
2008	42	11	3	56

I'm sure that you are seeing the pattern. Between 2005 and now, Cape May unit sales are down more than 50-percent. West Cape May's numbers are not as dramatic. Cape May Point is down 70-percent.

For those of you who have

to sell, you need to know this. The few buyers that are out there have their pick of homes and yours needs to be in the best location, in the best condition, and priced right. If it is dated or has a 25 or 30 year old kitchen and baths, you will probably wait

while the updated homes are sold first. Prices remain down and buyers are continuing to look for "a deal". My advice to all of my sellers is if you *have* to sell now, understand that prices are not

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what they were a few years ago. You may have to lower your price drastically to attract that rarity in our area, a buyer. In this case, revisit and qualify your goals. If you really need to move and you bought your home for \$100,000 and now it's worth \$400,000, that's still quite a chunk of change. Maybe it was once worth \$500,000 but this is today's reality – it is worth less.

If you *don't have to sell*, for goodness sakes, don't. This is not the time to test the market or buy that new construction dream home you fell in love with before you sell your current home. If you do want to move forward on a new home, insist on a home sale contingency in your contract or don't sign it. I have told all of my clients this but some have gone against my counsel and done it anyway, putting thousands of dollars at risk. If you decide to make that terribly risky decision, it is not your Realtor's fault. If an agent shows you documentation that on average, it takes almost a year for a home to sell in Cape May, don't blame them for your angst when it doesn't sell in three months. You made the decisions that got you where you are.

During the real estate boom times in the past, Realtors predominantly stayed in their geographic location, or where their office is located, even though our licenses allow us to sell homes anywhere in New Jersey. Wildwood Realtors stayed in Wildwood. The same is true with Stone Harbor, Sea Isle and every other community. Because there are so few deals being made, agents are picking up business wherever they can, ever shrinking our base of clients. Year to date there have only been 56 sales in Cape May, West Cape May and Cape May Point combined. There are 12 real estate offices on the island, each having multiple agents on staff. Simple math shows that if evenly distributed (which they're not), each entire office would only have 4.6 deals each for half a year's work. That's not quite one a month, spreading the commissions mighty thin!

So that brings me to the theme of today's column. Realtors did not create this state of the economy and we do not have the power to improve it, only the ability and drive to work within it. As professionals, we are finding it increasingly harder to make a living

each year. Let me explain why.

Perhaps you were not aware, but Realtors are not employees of the Real Estate Agency, unless they are the Broker of Record. We are Independent Contractors. As such, all of our expenses are our own and come out of our own pocket. This includes Social Security and unemployment taxes, health insurance, increased car insurance rates to cover higher client/passenger liability, increased mileage and maintenance on our vehicles, earlier replacement of vehicles, gas, Realtor licenses and fees, Errors and Omissions Insurance, fees for listing homes in the Multiple Listing Service, costs for online virtual tours, Realtor.com membership, printing and copying costs, formal classes and designation education to increase our knowledge and effectiveness. Realtors incur these costs as soon as your home is listed.

In these lean times, our advertising for clients needs to capture the most buyers possible. When I say lean, I want to explain that there are many former top producing agents who have had few to no sales this year. All of the items listed above we pay for upfront.

This gets tough when there is no money coming in. We are compensated only when your house sells. If your contract expires and you change agents, we have no way to recover our expense, time and energy.

Here is another reality I want to share with you. There is no "magic bullet" to selling a home in a down market. All agencies have the same tools to use. Some may be better than others in utilizing the tools, but there are only those tools. As Realtors, we can't make someone like your home. It's an emotional reaction for buyers. They like it or they don't. We can point out a home's features but if they don't like it or the price, there are many other homes to choose from and they move on to the next one.

So what can a Realtor do for you?

SELLERS

- Counsel you on what your house is worth based on Multiple Listing data of previously sold homes in your area (comps).
- Explain how long it may take to sell your home based on the above data.
- Offer advice on how long it may take to sell your home.

- Explain the home inspection process and the effect of the outcome on the sale of your home. Discuss whether to have one done prior to putting your home on the market.
- Offer advice on staging your home for more positive showings.

(MLS).

- Publish your home on

- Explain the selling process.
- Suggest repairs and or upgrades to your home.
- Deliver and erect a sign and brochure box.
- Print flyers and keep the brochure box full.
- Prepare all paperwork for listing a home.
- Take potential buyers through your home.
- Qualify buyers prior to taking them through your home.
- Share proven tips and techniques that will help sell your home.
- Notify other agencies that your home is for sale.
- Take all Realtors in the listing office through your home.
- Publish your home on the Multiple Listing Service

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- Realtor.com.
- Publish a virtual tour for both MLS and Realtor.com.
 - Follow up showings for feedback.
 - Answer all questions from potential buyers and their agents.
 - Provide feedback on showings.
 - Present contract offers to you.
 - Negotiate contract terms, conditions and price on your behalf.
 - Correctly prepare all required legal paperwork.
 - Arrange for all required inspections.
 - Address and correct any issues identified in the inspections.
 - Explain the closing process and what to expect.
 - Prepare a Seller's Net sheet to evaluate and approximate settlement costs and gains on the sale.
 - Represent you and your interests at settlement.
- BUYERS**
- Offer advice on mortgage rates and products.
 - Refer you to mortgage professionals for more details and pre-qualification.
 - Help in determining the maximum price range for a home.
 - Determine what they are looking for in a house.

- Search the homes currently for sale for ones that meet their criteria.
- Provide details on the homes, including location, taxes and amenities.
- Set up appointments with the Seller's agency.
- Print out details of each home and provide to buyer.
- Drive to all of those agencies to pick up keys prior to the showings.
- Take buyers through homes that interest them.
- Drive back to agencies and return the keys.
- Discuss pros and cons on each home.
- Prepare a contract to make an offer.
- Explain contract in detail to buyers.
- Explain the buying process.
- Deliver the contract to the Seller's agent.
- Negotiate the price, terms and conditions between buyer and Seller's agent.
- Communicate with and provide selling documentation to selected Title Company handling the closing.
- Represent you and your interests at settlement.

I've probably even forgotten some items, but that will give you an idea of the work we perform in our efforts to make the process of selling and purchasing a home as stress free

as possible for our clients and customers. Remember, we do not get paid for any of our efforts until after settlement. If a snag occurs and settlement doesn't, we don't get compensated for our costs and efforts.

So let me recap. Realtors didn't create this mess but we have been taking a beating over it. We are just the closest people frustrated sellers have to blame on why their house hasn't sold. Believe me, we are also frustrated and want to sell it as much as you do to recoup what money and effort we've already put out and will continue to do so.

Blame the banks and mortgage companies for giving mortgages to folks who have no way to pay. Blame regulators for not watching what was happening and taking action. Blame the limited supply and high demand that drove the buying frenzy and home appreciation in our area until it broke and reversed itself to where we are now. Blame our "I want it now" mentality as a nation where everything is purchased on credit. Blame the universe if you want. Just don't blame your Realtor. We're hurting as much as you are, we are working as hard as we can, and doing the best we can with what we have.