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REAL ESTATE

The pros and cons of going it alone

Hot housing market means an expansion of the ways homes are bought and sold

By Nancy Sarnoff

Sherry Kelm loves a bargain. So when it came time to sell the Heights duplex she had inherited from her mother, she decided to skip the real estate agent and do it herself.

The day she put the for-sale sign in the yard, Kelm got between 10 and 15 calls from interested buyers. In about a month, the house was sold for almost $20,000 more than her original asking price.

"I had multiple offers," she said. "It was just shocking."

Now, Kelm is planning to sell two other properties her mother owned the same way — without an agent.

Houston's red hot housing market is expanding the ways people traditionally buy and sell homes.

There are those like Kelm who do it all themselves to save on realty fees. Others are using agencies that charge a flat fee to list and market properties.

Some buyers, too, are doing more before hiring the services of a real estate agent. Neighbors are buying each other's homes in off-market transactions, and builders desperate for lots are knocking on doors trying to strike deals directly with homeowners.

"Every time the market gets super hot, there are a whole lot more transactions that occur that don't use a Realtor," said Frank Lucco, a Houston-based property appraiser. "It's just an easier market."

Even sellers who enlist

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A pro's advice

»Do it yourself?: A local real estate attorney has suggestions if you insist on flying solo. **D4**

Gary Fountain

Sherry Kelm inherited three properties and has sold one of them, a duplex, without an agent. Now she expects to sell the others the same way.

Mayra Beltrán / Chronicle

Leslie Lerner's business charges a flat fee of $4,500 to list homes $300,000 and up, and 1.5 percent for those costing less.

BUSINESS

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Leslie Lerner, a real estate broker, studied discount business models to develop her pricing system.

Gary Fountain

Sherry Kelm is planning to sell this house herself. She sold a Heights duplex she had inherited and did the job herself. It went for almost $20,000 more than her original asking price.

Most houses bought, sold via Realtors

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the help of agents don't always end up needing them upfront.

Hugh Cooley was making small repairs to his house in The Woodlands and fixing up the yard when his neighbor asked him if he was selling.

Cooley had, in fact, just signed a contract with a real estate agent to list his four-bedroom house, located in Grogan's Mill. He's planning a move to Dallas and was making minor improvements to prepare the house to go on the market.

The house never made it that far.

The neighbors went under contract for the full price Cooley was expecting to ask without the house ever hitting the Multiple Listing Service, the platform run by the Houston Association of Realtors through which most of the homes in the Houston area are sold.

"In our neighborhood, everything is selling quick because it's so close to the new Exxon Mobil campus," said Cooley, who used his agent to complete the transaction.

Though the agent received the full commission without having to market the house, Cooley said he doesn't have any hard feelings because he had signed a contract upfront.

Using agents

To be sure, the vast majority of houses are bought and sold through real estate agents.

The National Association of Realtors said for-sale-by-owner transactions accounted for 9 percent of home sales in the 12-month period ending in June 2012, according to its latest survey data on the topic. That was down from 10 percent in the previous year's study and well below the record high of 20 percent set in 1987.

"The share of homes sold without professional representation has trended lower since last reaching a cyclical peak, which was 18 percent in 1997," the association said last fall.

Sellers who did it themselves said the most difficult tasks were understanding and completing paperwork, getting the right price, and preparing or fixing up the home for sale, the survey said.

Mark Woodroof, a partner with Better Homes and Gardens Real Estate Gary Greene, said for-sale-by-owner transactions have always made up a percentage of the local market, especially during good times.

But that's often when sellers can need even more help.

"You may be looking at five offers, and it may be the one a seller should consider taking isn't the one with the highest sales price," Woodroof said.

Risks involved

Some real estate professionals say it is possible to successfully sell a property without representation, but there are risks involved.

In the best cases, sellers might be able to save some money on realty fees, but a home sale is a complicated transaction, Lucco said.

"There are a lot of people with their hand in the cookie jar. Title companies, mortgage companies, underwriters, appraisers, brokers, home inspectors, so there are a lot of cogs in the wheel," he said. "The wheels could come off the wagon at any time."

Danny Frank, chairman of the Houston Association of Realtors, echoes that sentiment.

"If you had a major corporation and you wanted to do your own taxes, you could do that. But does it make sense? Experts know what the pitfalls are, where the land mines lie," he said.

David Meckley, a financial analyst, recently sold his three-bedroom house in the Meyerland area.

He hired a local broker, Leslie Lerner, who recently started her own firm to offer real estate services for lower fees.

"She has kind of adapted her business model to the way the market has changed," said Meckley, who accepted a contract on his home within four days.

A flat fee

Leslie Lerner Properties charges a flat fee of $4,500 to list homes priced at more than $300,000. She charges 1.5 percent on homes below that price. Lerner, who has 20 years of traditional brokerage experience, said her fee includes all the same services associated with a traditional agency except for open houses and accompanied listings, which is when a seller wants the agent to be at the house when another agent is showing it. She'll do both, however, for additional fees.

Lerner said she studied discount business models to develop her pricing system. For buyers, she rebates a portion of her commission based on how many houses she shows a client.

'Consumer's side'

Though residential real estate commissions are negotiable, in a typical transaction, the seller pays a 6 percent commission to the listing broker. That amount is then split with the buyer's broker.

"If I put myself on the consumer's side, when I'm looking for something, I'm looking for the best price," Lerner said.

Seattle-based Redfin also recently entered the market with a reduced fee model.

The company, which has local agents, gives customers tools on its website to do more themselves, like estimate the value of their homes based on the same information agents use. It also publishes real-time statistics and notes from Redfin agents about home tours and offers.

Redfin refunds buyers up to half their agent's commission. It charges sellers 1.5 percent to list homes.

Change is slow

A group of local entrepreneurs recently launched Jason's House, a website that connects buyers with agents who offer rebates.

On the site, consumers build profiles identifying the services they want, and agents compete for their business by offering a percentage back on their commission.

Change in the industry has come slowly, Lerner said, because consumers still aren't aware of all their options. And people are resistant to change.

"When people know and are educated on what they're getting and what they can save, then things will start changing," Lerner said.

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