

The Myth of the Local Agent



By Brian Madigan LL.B.

Just about everyone says “**get a good local agent**” if you want to sell your house. The theory makes sense, and in terms a sage wisdom about real estate, it’s almost as common as “location, location, location”.

But, I suppose the real question is “does it make any sense”? Now, obviously a lousy local agent will not be as good as a well-experienced outsider. We all know that.

The local agent is best because that agent:

- 1) knows the local market,
- 2) has a list of buyers ready to purchase,
- 3) knows the local schools, parks and amenities,
- 4) is known in the area to potential purchasers,
- 5) knows where and how to market your house,
- 6) will host open houses to increase market exposure.

And, the corollary, the outside agent:

- 1) does not know the local market,
- 2) does not have a list of buyers ready to purchase,
- 3) does not know the local schools, parks and amenities,
- 4) is unknown in the area to potential purchasers,
- 5) does not know where and how to market your house,
- 6) will not host open houses to increase market exposure.

Certainly, if all twelve statements were true, then go with the local agent. But, let’s have a look at the following scenario before you draw any conclusions.

A property became available in an estate sale, and the vendor turned to a friend who was in the real estate business (but, out of town). Initially, the common advice “go with a local agent” was given. The vendor contacted several who appeared to have the most signs and the most advertising in the local weekly newspaper. Four submitted appraisals, and they all came up with a range of \$250,000 to \$260,000.

The only thing that seemed puzzling to the friend was that this was the big City, and where was the big price. After all this was a reasonable, single, detached, house 25 minutes from the centre of Toronto.

So, they decided to obtain a second opinion. On occasion, that makes sense in medicine, law and taxation, so why not real estate?

This time they approached an experienced real estate agent from outside the area. Fairly quickly, the conclusion was that the entire community was vastly underpriced, and that the property should be listed at \$320,000. To be perfectly frank with the experienced agent, the vendor mentioned the range from the four local real estate agents, and indicated that perhaps the property should be listed in that range.

Nevertheless, the out-of-towner insisted that \$320,000 was the right price. The difficulty and the challenge was going to be the lowered market prices in the area. But, that's the result of the local agents work (or lack of it) isn't it?

To cut to the chase, the property sold for \$310,000 in 60 days, rather than \$250,000 in less than 30 days. Obviously, it was a little more work.

Let have a look at each of those assumptions:

1) does not know the local market

In this case, not knowing the market was very helpful. All of the relevant statistics were available on MLS and could be reviewed and analyzed by anyone. Independent research, and comparing this local community to other communities led to this conclusion.

2) does not have a list of buyers ready to purchase

The agent placed the property on the MLS and erected a sign on the front lawn. And, very soon, had a number of showings and a list of potential current buyers, not simply the "same old, same olds" who go to every open house. Quickly, the list was current and plentiful.

3) does not know the local schools, parks and amenities

The neighbourhood was not that big. Just a few parks and a few schools, and most of the information was available on the websites of the school boards and the city. Less than 10 minutes on the internet, and a 15 minute drive produced all the information that was required.

4) is unknown in the area to potential purchasers

Does this truly make any difference? Who cares what agent has the house listed? If you want that house, you're going to buy it anyways! Yet, one of the big

marketing aspects of many real estate agents will be based upon the “I’m well-known in the neighbourhood” factor.

In our case, this “new” agent also became known.

5) does not know where and how to market your house

This is a little bit of a misnomer, because the new agent, was new to the area; not new to the business. So, all the tools of the trade were available. And, by way of a judgment call, no ads were placed in the local newspaper. But, rather the property was advertised by flyers distributed throughout the neighbourhood, general newspapers with daily circulation, and several websites.

6) will not host open houses to increase market exposure

Actually, several open houses were held, in order to reassure the new agent that the property was appropriately listed. This was part of the market research in order to confirm price, hold onto the price, and remained focussed.

Comment:

So, what happened to the local agents? Well, they were so caught up with the low prices, they never really watched what was happening around them. They never did any comparison shopping outside their local area. They were only comfortable in their own little bailiwick. This is rather sad, and particularly disappointing to the many individuals who sold their homes through the local agents over the last few years. However, it is difficult for one local agent to change the established system.

If you are looking for a high price, **why not consider an experienced outsider?** Could you afford to wait another 30 days for an extra \$60,000?

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