

*The information provided is to assist in understanding real estate sales concepts. Some items may not directly apply to your specific homework packet but will be helpful when you cover these topics within your course.*

### **Listing Narratives**

1. Generally, the listing price should be derived from a careful analysis of the market within which the property is located. Often, however, sellers will need to have a certain amount of cash after a closing (net amount) to purchase a new house or for some other financial reason. The net amount may be used to calculate what the list price needs to be to provide the seller with that net amount. Calculating the Listing Price (hopefully the Sales Price) of a property based on the Seller's desire to net a specific amount is performed as follows:
  - a. Example – Seller wants to net \$189,000 after paying a 7% real estate commission. What would the list price have to be to assure that the Seller nets that amount?
  - b. The formula looks like this: ***Net to Seller = Sales Price – Commission***
  - c. We know that the Sales Price will be comprised of two quantities. The commission (7%) and that which remains after the commission (the net amount or 93%). Because the actual commission amount is unknown at this point, we need to use a factor that we do know. We know that 100% of the sales price minus the commission of 7% is equal to 93% of the sales price and that is what the net amount needs to be (100% - 7% = 93%)
  - d. In other words, if we multiply the Sales price by 93%, the result will be the portion of the sales price remaining after the commission is paid and that is the net amount to the seller (multiplication is simply a way to rapidly add and subtract)
  - e. Therefore, we can re-express our formula with the known quantities and unknown quantities as follows:  
***\$189,000 (Net to Seller) = Sales Price (unknown) x .93*** (decimal equivalent of 93%).
  - f. To solve and get the Sales Price by itself on one side of the "equal" sign, we divide both sides of the equation by .93, which is the same as dividing the .93 into the \$189,000 and that equals \$203,225 (may be rounded to \$203,500 or \$203,900). And that is what the sales price will have to be to result in a net amount to the seller of at least \$189,000. Try it. Take the sales price of \$203,225 and subtract a 7% commission and see if you have enough left over to give the sellers what they want after the sale.
2. Regarding the real estate commission "blanks" in the Exclusive Seller Listing Agreement and other agency contracts.
  - a. There are usually three blanks in the contract for the commission amount. The first is the commission rate (percent) using words (spelled out) and the second is the commission rate expressed as a number.
  - b. The third blank is for insertion of a specific dollar amount in the event the commission was a specific amount regardless of the selling price.
  - c. Either the first two or the third should be filled out (usually the first two), not both. The specific dollar amount will limit the commission to the stated dollar amount and that is not usually what is intended.
  - d. All blank spaces in a form contract should have an "n/a" inserted to show the lack of entry was intentional and not an omission.

### **Purchase and Sale Agreement**

3. Completing the inspection paragraph in the Purchase and Sale Agreement – Paragraph Number 8.
  - a. All of the performance times in the Purchase and Sale Agreement relate to the "Binding Agreement Date" as defined on the bottom of page five of that form. Both of the blanks for the inspection clause relate the Binding Agreement Date.
  - b. The first blank is the number of day to get the house inspected. The second date in the period of time the parties have to work out the resolution of the repairs found to be necessary by the inspector. Since both dates relate to the Binding Agreement Date, the numbers must be cumulative.
  - c. That means that if the buyer has 12 days to get the property inspected and 7 additional days to work through the repair issues and additional negotiations, then the numbers inserted would have to be 12 and 19 – 12 days from the Binding Agreement date to get the house inspected and 19 days from the Binding Agreement date to work through the issues of repairs.

### **Estimate of Net to Seller (Dearborn RE Campus Only)**

For the purpose of this contract packet assignment – the tax bill is paid in July.

### **CMA - Market Analysis**

When attempting to determine an appropriate list price for a property, market data is gathered from comparable sales. Adjustments are made to the selling price of each comparable property to account for any difference from the subject property thereby making the properties as equal as possible. When a comparable has a superior feature to the subject, you lower the comparable price accordingly. When a feature is inferior to subject, add appropriate value to the comparable price. Use a weighted average of the adjusted sales prices of the comparables to determine the appropriate market price.