Selling to a Builder

If you’re like many Westport property owners, when it comes time to put your house up for sale you may be equally likely to sell to a builder as to someone who will take up residence once you’ve moved out.

This situation begs a variety of questions, including “Which builders might be interested?” “How do I know what my property is worth?” “Should I sell directly to a builder, or should I get an agent involved?”

This column will outline the three most common ways that builders purchase land, along with the advantages and disadvantages of each one for you as the property owner. Then it will suggest an alternative approach that you can use to market your land to a builder.

• The first way that builders buy land is to knock on your door and ask if you want to sell. This usually happens in neighborhoods where builders are already working. Selling your house privately to a builder may seem like a no-brainer. No muss, no fuss. No agents. No commissions to be paid.

Unfortunately, perhaps also no fair deal. Builders may give you a lowball offer…or they may ask you to tell them how much you want. Since most owners have no idea what their land is worth, they ask for a number that’s lower than market value – which the builder will happily pay. (Others ask for an unrealistically high number, and get nowhere.)

• Another way builders buy land is to have real estate agents scout for them. In this case, an agent representing one would approach you instead of the builder himself. This isn’t much different than the first approach, except the agent may provide you with some hard evidence of what other pieces of land have sold for. As with the first approach, you won’t pay a commission on the sale. This may seem like a good deal until you realize that the agent’s loyalty is to the builder – not to you. By scoring your land for the builder, the agent will automatically also score the listing on the high-priced new construction to built after your house is torn down. Not making a commission when you sell to the agent’s builder is small potatoes to that agent…the prize is the listing on the new house to be built.

• The third way that builders buy land is by checking out traditional multiple-listed properties. The advantage of multiple listing is that by broadly exposing your property, you’re assured of selling at fair market value. And because you are represented by an agent, your interests are protected in the transaction.

On the other hand, perhaps you invested money to fix up your property prior to multiple listing. This becomes a wasted expense if a builder buys your house and tears it down – one that could possibly have been avoided. And multiple listing will cost you a full commission.

But wait…there’s another way to sell to a builder. One that hardly anyone pursues – just the really smart people. This approach involves hiring a smart and ethical real estate agent – one with special expertise in land valuation – to represent you and shop your property to as many builders as will listen. Agents who are qualified to represent you in this way will know who the appropriate builders are, but will not have an exclusive relationship with any of them. That way:

1. You can be sure your property is being broadly exposed, and there is an opportunity for builders to compete to purchase it. This, of course, will maximize your selling price.

2. Your agent’s loyalty is to YOU. Yes, because of how things work, she may get the listing on the new build anyway. But that will not be her primary intention.

3. You will save money because an agent shopping your property to builders will not require you to pay a full MLS commission.

It takes experience, contacts and a lot of work to shop a property to builders in the correct way. The most important of these is educating you about the components of value and setting the appropriate asking price. A land-savvy agent will understand the implications of location, parcel size and shape, zoning regulations, absence or presence of wetlands and availability of sewer service. She will be fully conversant with recent land sale prices, including those that sold privately. Most importantly, she will know how to present the opportunity to builders in the way they require.

Got land? Get the facts. Despite current market conditions, builders are out there looking – perhaps for property just like yours.

Evi Coghlan is a licensed real estate agent with Coldwell Banker/Riverside-Shavell and a former marketing consultant who advised Fortune 100 companies. To contact Evi, call 203-247-6691, e-mail her at er@ericoghlan.com or visit www.ericoghlan.com