



Do You Need A Real Estate Agent?

by Andrew Beattie ([Contact Author](#) | [Biography](#))

In the best selling book, "Freakonomics" (2006), the authors, Steven D. Levitt and Stephen J. Dubner, discuss [real estate agents](#) and highlight two disturbing correlations:

- 1 Real estate agents keep their own houses on the market an average of 10 days longer and settle for a selling price that is 3% higher than comparable houses they sell for their clients (\$10,000 for a \$300,000 home).
- 1 The 6% commission is split between the seller's agent and the buyer's agent, and then the agent must surrender some of the 3% commission to the agency he or she works for, pocketing an average 1.5% of the commission. So, while getting \$10,000 more for you home may be important to you, the agent's commission on this extra money is an additional \$150 for an extra 10 days of work.

Assuming these figures are accurate, is it wise to avoid real estate agents altogether? Let's take a look.

Selling Without an Agent

Selling without an agent is a challenge. Among the things that an agent takes care of is listing of your house on the [Multiple Listing Service](#) (MLS). This is the primary source for most real estate agents who are searching for properties on behalf of clients. It is not unusual for agents to only show homes that are listed on the MLS because they know that there will be another agent for them to negotiate with, rather than having to deal with an unknown, non-professional seller. That said, while not having an MLS listing can be quite significant, many homes are still sold successfully through newspapers and classified ads.

Selling your home on your own can also requires a large amount of time and energy because you will need to do many of the tasks that the realtor would traditionally do on your behalf. People who sell their own homes are one of the following.

- 1 Well acquainted with real estate procedures and contracts
- 1 Testing the waters to see what they could get for their home if they wanted to sell
- 1 Somewhat desperate and unprepared to lose money to commissions

In all of these cases, people who sell their own homes must have a large amount of free time. If you are up for the challenge, then go for it. (For related reading, see [Five Things Every Real Estate Investor Should Know](#).)

The Devil You Know

One statistic that would be interesting but is difficult to measure is the difference in final sale price for a property sold by the owner and the same property sold by an agent. Even though the interests of a real estate agent may conflict with your best interests these professionals can still serve an important purpose.

Real estate agents generally have a more realistic view of what a home is worth and good agents are

adept at getting that price. Additionally, real estate agents save you time by showing your home without interrupting your schedule more than necessary.

Perhaps the most important function of an agent is to ensure that the contracts and other legal matters are in order. No one wants to get through all the stress of listing and selling their home and then find out that they are being sued over an avoidable breach of contract.

While the commissions do take from your bottom line, the advice and [due diligence](#) (DD) of a good agent are likely worth it. The challenge is finding a good agent and making sure that your interests are in line.

Selecting an Agent

All agents are not created equal. When you are considering selling your house, the first thing you should do is ask colleagues and friends for referrals. Referrals from other professionals tend to carry a lot of weight and result in preferential treatment because a real estate agent will not want to lose a large source of referrals.

Even a good agent may falter on a property type he or she is not used to dealing with. So, if you have a particular type of property, you may want an agent who is specialized in that type of property. The agent will know more about how and where to market the house, and will probably be more successful at finding potential buyers. (For more insight, read [Finding A Listing Agent](#).)

Setting Your Terms

Even though the agent you select will be doing many things without your direct approval, keep an eye out for some of the bad habits that real estate agents sometimes exhibit.

One of the most frequent problems is inactivity. In other words, an agent might dump your house into the MLS and just wait for another agent to bite, rather than actively courting buyers. The longer your house is on the market, the less attractive it becomes and the more likely the buying agent will put in a low bid. Making a three-month listing agreement will prevent this problem. If your house hasn't sold after three months, you are within your rights to take your business to another agent.

Another area where you have room to negotiate is the commission. Although a \$100,000 house and a \$300,000 house are different, the mechanics of the sale are almost the same. Selling a high-value [property](#) gives you more power to demand lower commissions. Real estate agents will often warn clients that this can be a dangerous tactic because some buying agents will not show clients the houses that have low commissions. This argument doesn't hold up, as the actual dollar amount that both agents receive is significantly higher with the \$300,000 house, even with a 4% commission.

Conclusion

Despite the drawbacks of having to rely on someone else, a good agent is worth your money unless you have the education, time, energy and marketing experience to sell your own home. Finding a good agent may involve some false starts, but if you go through referrals and set your own terms, you should find that the commission you pay is money well spent.

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