

FIND THE **GOLD** IN EXPIRED LISTINGS



KEEPING CURRENT MATTERS

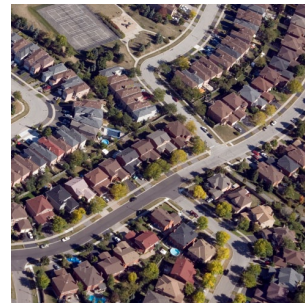


FIND THE GOLD IN EXPIRED LISTINGS

INTRODUCTION

Expired listings can be a real goldmine in today's real estate market... if you know how to work them. An expired listing occurs when a listing contract—essentially, an employment contract between the real estate professional and the seller—expires. Every listing contract has a termination date. Once that termination date passes, that listing is deemed “expired.”

When this happens, as a licensed real estate agent, you have the right to approach that seller, offer to represent them, and ask them to sign a listing agreement with you. But before you approach the seller with your offer, you have to understand the mindset of the person—the homeowner whose house did not sell. Knowing what this person is likely thinking and feeling will help you gain their trust, ease their concerns, and ultimately get the listing. That's precisely what this e-book will show you.



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UNDERSTANDING HUMAN BEHAVIOR

Understanding a little bit about human psychology is key to your success with expired listings. So let's begin by identifying the 3 different human behavior patterns you may notice when interacting with a seller whose listing has expired.

- 1. Rationalization**
- 2. Reaction Formation**
- 3. Displacement**

1. Rationalization

When people don't get what they want or attain a goal they've set, rationalization often sets in. This is a normal human behavior pattern that helps people avoid depression. For example, when a couple experiences a breakup in their relationship, each may rationalize it by saying, "He/she wasn't right for me anyway."

Using a real estate example, if a buyer's offer on a house is rejected, he might say, "That's okay...that house really wasn't right for me anyway." In the case of expired listings, the seller is naturally disappointed that their house didn't sell. To overcome that disappointment, they'll start rationalizing that the right thing happened anyway—that "things happen for a reason," "I wasn't 100% sure I wanted to sell," or "we weren't meant to sell now."

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When dealing with expired listings, you may be the goldfish.

2. Reaction Formation

When a person feels a certain way (perhaps sad) but acts in a different way (cracks jokes), that person is displaying a reaction formation. People do this to hide their real feelings so they don't appear vulnerable. Here's a classic example of a reaction formation in action. Suppose you have a friend whose father passed away. She was very close to her father and is obviously saddened by his passing. However, she wants to be strong for her mother, so at the funeral she cracks jokes and tells funny stories. This is her reaction formation kicking in. If you didn't know her, you'd think she was a jerk for being so light hearted at her father's funeral, when in reality she's using humor to hide her real feelings.

We see this happen in real estate too. When a seller's home does not sell by the listing termination date, he may be very upset or mad on the inside, but on the outside he may seem aloof, shrug it off, and say, "Oh well...it didn't sell. C'est la vie!" An unskilled agent may interpret that as a sign that he won't re-list because he doesn't care, when in reality he is very upset by his home not selling.

3. Displacement

Sometimes people are upset, mad, or annoyed at one person, but they take out their frustrations on another person. This is called displacement. You've likely been on the receiving end of displacement many times. For example, your spouse had a bad day at work and comes home upset. Nothing anyone at home does is right. Your spouse is displacing her frustrations about work on her family, even though the family had nothing to do with making her upset.

- • • Think of displacement as playing out like this: "The boss yells at the worker, the worker yells at the spouse, the spouse yells at the kid, the kid kicks the dog, the dog bites the cat, and the cat eats the goldfish." Realize that when you're dealing with expired listings, you will sometimes be the goldfish.

Knowing these three human behavior patterns will help you navigate through the various re-listing scenarios you might find yourself in. We'll take a look at these scenarios in the next section...

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THE SELLER'S 4 OPTIONS

When a listing expires, every seller has four options. That's when you'll see the described human behavior patterns come into play.

1. **Re-list with their current real estate professional**
2. **Take the house off the market**
3. **List the house For-Sale-By-Owner (FSBO)**
4. **Contract with you**

• *Option 1: Re-list with their current real estate professional*

For whatever reason, their house did not sell. Perhaps the homeowner now realizes how difficult the housing market is or that the listing price was too high, or perhaps they're now acknowledging that they didn't listen to their agent's advice. Therefore, they're going to give the agent a second chance. That's a perfectly okay thing to do. If that's their decision, as per the code of ethics, you need to wish them well and walk away.

The only question to ask before you leave is, "How long did you re-list for?" When a listing is about to expire, sometimes an agent might ask the seller for an extra week so he or she can follow up with one particular buyer who expressed interest in the house. Chances are that week-long listing won't get placed in the MLS (Multiple Listing Service), so you would not know the new contract termination date. If the seller says that the re-listing contract is for more than a few days, then it will be on the MLS and you can look for the new expiration date sometime in the future.



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Help them rekindle their dreams

• *Option 2: Take the house off the market*

When the seller says, "I'm taking the home off the market – it's no longer for sale," **realize that rationalization has likely set in.** There's no doubt that if someone puts their house on the market and the house doesn't sell, they're going to be upset. In their mind, no one in the marketplace thought the house was worthy of the sales price. From a human behavior standpoint, they don't want to get depressed, so they go into a rationalization mindset and say, "Well, we didn't really want to sell the house anyway. This idea of making a move right now probably doesn't make sense."

Don't allow sellers to rationalize their dreams away. Instead, it's time for you to rekindle their dreams. Ask them this simple question: **"What made you originally put your home up for sale?"** If that reason made sense a few months ago when they originally listed the house, chances are it still makes sense now. So rekindle that dream. Don't let them throw away what their family should be accomplishing and what goals they should be attaining.

Just because the house didn't sell during the last listing contract doesn't mean the house will never sell or that it shouldn't be sold. So make sure you uncover the original goal and then rekindle it for the sellers. They deserve to attain their goals.

• *Option 3: List the house For-Sale-By-Owner (FSBO)*

When someone says they want to do a FSBO, and you push them not to, you may find yourself the recipient of displacement. You're going to take the wrath that the original real estate professional who listed the house should probably be taking. The seller might explain to you, at length, everything the other agent didn't do that the seller thinks should have been done.

Then the seller might explain to you, in depth, what the other agent did that annoyed them or aggravated them. That's okay. Stand there and let the seller vent. If nothing else, you'll know what the seller deems important and what he or she expects from a real estate professional. This will give you great content for your listing presentation when you sit down with the seller.

Now be prepared; the seller might displace in one other way. They might tell you that all agents are not worth anything because their original agent didn't accomplish the goal of selling the house. They might paint all real estate professionals with the same brush. If that happens, the best thing to say is, "Have you ever gotten a bad haircut before?" Of course, the seller will say, "Yes." At that you say, "Okay...so what did you do? Did you stop getting your hair cut or did you simply change hair stylists?" The seller will say, "I changed hair stylists."

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Then you explain that there is good and bad in every profession—good and bad hair stylists, agents, teachers, lawyers, doctors, police officers, etc. And just because there are good and bad in every line of work doesn't mean you don't call on others for the products and services you need. You still get your hair cut, see a doctor, talk to a lawyer, send your kids to school, etc. You might then say, "Obviously, in your opinion, the last real estate professional you dealt with didn't accomplish what you wanted. But you shouldn't paint us all with the same brush. Let's go ahead and change hair stylists. Let me sit down with you and show you the differences between the previous real estate agent and me."



• *Option 4: Contract with you*

This last option is the one that confuses agents the most because it's the one they are least prepared for. When you contact the seller, she might say, "That's so funny you contacted us. We were just thinking about calling you or calling your company." Yes, most agents get confused at this point. They assume they were going to get rejection, and they were prepared for rejection.

They already set up rationalization and every other human behavior pattern to deal with the rejection. As a result, when something positive happens, they're not ready for it.

Make sure you're always prepared. If you're calling an expired listing, make sure you have time in your schedule to meet with them that same day. If you're meeting them face-to-face, make sure you have all the paperwork, just in case they say, "Yes, I'm ready to list with you right now."

Don't let a positive response catch you off guard. The sellers want the house sold. They obviously want to use an agent because they did so the first time. They might have just investigated who is the best real estate agent or the best real estate company in the market. If they decided that it was you, they might have been just about to call you. **It happens, and when it does, be ready for it.**

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GET IT SOLD!

Once you take that listing, you certainly don't want it to become an expired listing again, so make sure you look at the components of a sellable listing. Something was wrong with that house previously. There was a reason why it did not sell. Therefore, you need to go over the 4 primary components for making a listing sellable.

1. Have proper access

Don't allow the homeowner to say you can only show the house on Tuesdays and Thursdays between this time and that time. Or that you can't show it on Saturdays because the kids are home all day. In any market, if you want a house to sell you have to give potential buyers access to the home. If accessibility isn't there, it's going to cost the sellers in price.

2. Make it look good

In order for the house to sell, it must look sellable. Obviously, every real estate professional hopes his or her sellers use a professional stager to make the house look great, but that doesn't always happen. Some people don't have the finances or wherewithal to bring in a stager. But they might have the wherewithal to buy a can of paint and paint the room that needs to be painted. They might have the wherewithal to rent a steam cleaner and clean the carpets, even if they do it themselves. They might have the wherewithal to hold a garage sale and get all that junk out of the garage. Suggest what needs to be done and why.

3. Get the proper commission

Whatever is the normal commission in your marketplace, make sure you're not below that level. Both the selling and buying agent need to be properly compensated for selling that house. You don't want another agent to look at the MLS listing and say, "I'm not going to waste my time showing that house if I can't get compensated fairly for my time." That simply doesn't make sense.



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4. Price it Compellingly

In most markets, price is the single most important thing. In fact, it's so important that price can often compensate for any of the other three factors: access, condition, or commission. If a house is priced compellingly, it's going to sell. So make sure you take the time to sit with sellers, look at their original sales price on the expired listing, and let them know why their price impeded the sale. Continue sitting with them through the pricing process and show them graphs, charts, and anything else that can help them understand what the current market is about. This goes beyond just doing a CMA (current market analysis). This is about doing a current analysis of the market. Know what is happening with regard to real estate in your marketplace, what factors are affecting that market, and share that information with your sellers so they'll price it right.



CONCLUSION

Expired listings offer a wealth of opportunity. You simply need to know how to tap into it. Ultimately, when you are focused on what sellers are thinking and feeling, when you are prepared for any objections they can throw at you, and when you ensure you have a sellable listing—as opposed to just another listing—you'll find that going after expired listings can bring you tremendous profit each year. So go for the gold! It's definitely within your reach.

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