



# Kamps Realty Guide to Selling Your Home



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Kamps Realty



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## Guide to Selling Your Home

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### Introduction

Selling your home is one of the largest financial decisions you will make. It is not a decision to be taken lightly as it could affect your financial position for many years, positively and negatively. While your home-selling team will advise you of your options and their implications, this publication will provide you with context and information to better inform you before you start the home-selling process.

This is not meant to replace the conversation you must have with the Realtor that will list your home. There are many details that your Realtor will advise you of so you can make the best decisions when it comes to your home that are not discussed here.

### Rationale

The first question you must ask yourself is if you have to sell. In the case of a divorce or separation, this may not be a choice. In other cases, such as when moving from one primary residence to another, this may be a seemingly automatic decision, it is necessary to evaluate whether you actually need to sell.

The option to retain your home as an investment property should be considered as it could yield substantial savings. For example, including all commissions, legal fees, and other associated expenses, the total cost of selling a \$600,000 home in Calgary can be as much as \$25,000. Keeping your home as a rental property will defer many of these expenses and could provide a cash-flowing investment property with our tenant paying your mortgage. While renting your home may seem intimidating, I invite you to read my publication "Guide to Owning an Investment Property".

## Decisions

Once you have made the decision to sell your home, the next large decision is the timing of selling your home with respect to when you buy your next home. There are two broad options:

Table 1: Timing Options

	Pros	Cons
<b>Buy Before You Sell</b>	-secures a residence throughout the process, ensuring no gap	-could introduce financial risk if you secure a home but the selling price of your current home is lower than expected -You could need to maintain two residences and the costs associated with it at one time
<b>Sell Before You Buy</b>	-have certainty in selling price and the proceeds from your current home to be used in purchasing a new home  -easier to secure financing with the certainty of your current home sale	-if you cannot secure a new home in time, there could be a gap that necessitates staying with family and friends or renting  -additional coordination and expenses when navigating a gap in residences

There are several other more minor decisions that need to be discussed with your Realtor prior to listing, such as:

- **Material Latent Defects** – in Alberta, the seller has a legal requirement to disclose any material latent defects, or, more plainly, a major flaw in the house that is not easily discoverable through a reasonable inspection. There is grey area as to what is a material latent defect or not, however, when in doubt, disclose it and avoid a possible lawsuit!
- **Murder/suicide** – some homes have had deaths, murders, suicides, or some other major crime committed within them. Some buyers are extremely concerned about these events to the point where they will not make an offer under any circumstances; other buyers are not concerned in the least. While it is not a legal requirement at the time of writing to disclose these events, it is recommended that you do. I would, to avoid complications later.

## Process

The process of selling a home is detailed and nuanced, from preparing your home for showings to negotiating the deal with a prospective buyer. While this will be covered step-by-step with your Realtor, a broad overview of the selling process is below. Pay close attention to what you need to do to prepare, as obtaining some items will take weeks to obtain.

Table 2: Overview of Home Selling Process

	Main Idea	What You Need to Do	Costs to You
<b>Preparation</b>	-Ensuring you are ready for the home selling process	<ul style="list-style-type: none"> <li>-Locate Real Property Report (RPR) and ensure it is up-to-date. This should be in the document package when you purchase the home. If the RPR does not reflect the current state of the property, contact a geomatics/survey company to update it. This will take weeks to complete so plan accordingly</li> <li>-Gather all manuals and warranties for the future owner</li> <li>-Thoroughly clean your house in preparation for marketing photos</li> <li>-Optional: have a home inspector conduct an inspection to identify any issues that a buyer will identify and will want repaired</li> <li>-Interview and decide upon a Realtor to list your home</li> </ul>	<ul style="list-style-type: none"> <li>-Cleaning fees</li> <li>-Cost to update the RPR</li> <li>-Cost of optional home inspection</li> </ul>
<b>Listing Period</b>	-Buyers conduct showings of your home	<ul style="list-style-type: none"> <li>-Ensure your property is as clean and showing-worthy as possible</li> <li>-provide any information or clarifications to prospective buyers</li> <li>-Communicate with your Realtor about marketing and offers</li> </ul>	-Nil
<b>Conditional Period</b>	-You agree to terms with the buyer, such as closing date, purchase price, but subject to conditions	<ul style="list-style-type: none"> <li>-make your home available for a home inspector and any other</li> <li>-provide any information or clarifications to the buyer</li> </ul>	-Nil
<b>Preparing for Possession Date</b>	-The buyer waives conditions and the sale is secure. Await closing day	<ul style="list-style-type: none"> <li>-Abide by the terms of the purchase contract</li> <li>-Meet with your lawyer and sign the required documents</li> <li>-Cancel home insurance for possession day</li> <li>-Cancel utilities for possession day</li> <li>-Arrange movers</li> </ul>	<ul style="list-style-type: none"> <li>-Costs associated with abiding by the purchase contract</li> <li>-Legal fees</li> <li>-Moving expenses</li> </ul>

## Offer Terms

When an offer to purchase is received, your Realtor will present you with the offer and give their advice as to how to respond. There are many potential items to negotiate, but the main points of contention in a negotiation are listed in Table 3 in generally descending order of importance.

Table 3: Negotiation Items in a Purchase Contract

Negotiation Item	Description
<b>Purchase Price</b>	<ul style="list-style-type: none"> <li>-most often the most contentious and debated item in the purchase contract</li> <li>-buyers may have a hard limit on their maximum purchase price based on what their lender would be willing to provide in mortgage funds</li> <li>-some sellers with a particular attachment to their community or those who are wealthy enough to not be so price sensitive may prioritize other aspects of the deal, such as closing date and the character of the buyers and their intention with the property</li> </ul>
<b>Closing Date</b>	<ul style="list-style-type: none"> <li>-most sellers want to close on their current home and live in their next home in time for the new school year at the end of August or start of September</li> </ul>
<b>Unattached Goods</b>	<ul style="list-style-type: none"> <li>-the seller is allowed to take any item that is not screwed or nailed to the house or property unless otherwise specified. Unless written in the purchase contract, the seller can take the appliances with them before possession</li> <li>-the buyer can request any item or piece of furniture in the home, however, their inclusion is subject to mutual agreement during the negotiation process</li> </ul>
<b>Conditions</b>	<ul style="list-style-type: none"> <li>-conditions are imposed by the buyer for their protection before committing to a firm deal. For example, a buyer will want an inspection condition to have the opportunity to have an inspector give their opinion about the condition of the house. This period is usually 5-10 business days, with 10 being the most common</li> <li>-buyers will want a longer conditional period whereas sellers will want a shorter conditional period</li> </ul>
<b>Deposit</b>	<ul style="list-style-type: none"> <li>-a deposit is required to be paid from the buyers to the sellers' brokerage to hold the offer. This also acts as a security for the buyer to complete the purchase after conditions are waived</li> <li>-buyers will want a smaller deposit amount whereas sellers will want a higher deposit amount</li> </ul>
<b>Other Terms</b>	<ul style="list-style-type: none"> <li>-buyers may want access to the home after the conditional period and before possession to engage contractors, show the home to secure a tenant etc. These are subject to negotiation</li> </ul>

## Costs

Table 4: Approximate Costs to Sell a Home

Item	Estimated Cost*
<b>Realtor Commissions</b>	The most common fee structure in Alberta is 7% on the first \$100,000 and 3% on the balance of sales price plus GST, split evenly between the listing and buying agents
<b>Legal Fees</b>	\$1500-\$2000
<b>Obtain a Real Property Report (RPR)</b>	\$500-\$1000
<b>Obtain Condo Documents</b>	\$100-\$1000
<b>Cleaning Costs</b>	\$100-\$500
<b>Moving Costs</b>	Varies by size of home. Usually \$500-\$5000
<b>Mortgage Break Penalties</b>	<p>There is a cost with breaking your current mortgage and obtaining a new one. Only your lender can provide an accurate cost of breaking your mortgage, but generally speaking the cost is:</p> <ul style="list-style-type: none"> <li>• Variable rate mortgage – 3 months interest</li> <li>• Fixed rate mortgage – the greater of 3 months interest or the mortgage differential, which compensates the lender for lost interest if your new interest rate is lower than your current interest rate. This could be tens of thousands of dollars</li> </ul>

\*these figures are approximate and should be used for orientation only

## Tips

There are many tips and tricks to preparing and maintaining your home during the listing period. A quick google search will provide endless possibilities and ideas, but my more practical favourites are:

- Inspection - get an inspection done prior to listing so you can properly fix any items before a buyer does. Buyers strongly prefer well-maintained homes that need little work
- Renovations – many sellers want to add value and increase the purchase price by doing work to the home prior to listing. However, I generally discourage this as few renovations net a positive return with respect to the cost and time of renovations. I would advise my sellers to fix any safety issues or critical items that a buyer will demand be fixed prior to possession, such as a broken furnace. If you are set on doing a substantial renovation, treat it like a flip and do it right; replacing only the countertop in a kitchen that is otherwise dated is a major turn-off, as the buyer will likely gut the kitchen anyway
- Replace Items You Touch – replacing old door knobs and drawer pulls are common tactics to help sell your home
- Clean, Clean, Clean – the cleaner, neater, more organized, and more minimalist your home during the listing process, the more likely an offer will be submitted
- Remove Personal Items – buyers want to picture themselves in your home, not see your adventures. Remove all photos and depersonalize your space as much as possible

- Appeal to the Sense of Smell – bake an apple pie shortly before a showing to fill your home with enticing smells and create positive ambiance
- Put the Dog Away – you love your dog, but a prospective buyer won't. Consider boarding your dog elsewhere during the listing period to make your house appear cleaner

## Publications

Read my other publications for more information about the Calgary real estate market and home ownership:

- Guide to Home Ownership
- A Real Estate Strategy for First Time Home Buyers
- Subtle Home Buying Factors for Young Families
- Guide to Saving Money on Your Next Home
- Guide to Owning an Investment Property