



# SCHWARTZ *Report*

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## SINGERS, DANCERS, AND SUPER-AGENTS

**T**he Federal Reserve's Open Market Committee voted in June to raise the fed-funds rate\* by three quarters of a point, the steepest single rate rise since 1994. Mortgage rates hovered around 3% at the beginning of the year but are now double that and likely climbing. Clearly, we are in a transitioning real estate market for the first time in more than a decade.



I'll start a bit tongue-in-cheek with the old joke about the fellow who goes into a pet store to buy a canary. He hears a beautiful song coming from one of the cages and goes over to investigate. He's enchanted by the melody but notices after a bit that the bird with the beautiful song is missing a leg. So he calls the pet store owner over and says, "This bird has a wonderful song but look, it only has one leg." The owner doesn't miss a beat: "What do you want: a singer or a dancer?" Stick with me folks, I'm going somewhere with this.

We have seen the subject pop up countless times about whether it makes sense in any market to pay full real estate commissions to your real estate agent to manage the sale of your home. "Why should I pay so much to hire an expert when houses have been selling themselves and a mere posting anywhere will generate multiple and escalating offers?" Even the downtrodden buyers of late might ask, "why should I pay a fee to my buyer's agent to find me the right home when everything is online?" The answer is straightforward but has gotten little attention lately —because you are depending on this person and his or her company to help you reach your goals in a sale or purchase. Going forward, you need an expert guide if you are traveling an unmarked and even dangerous road.

You see, selling or buying is not an event. It is a process. Frequently, it proves to be a long process. So when contemplating either a purchase or a sale, you'll need a committed guide who has both product knowledge and process skill to get you where you need to go. Finding a buyer willing and able to pay market value at a time of mass uncertainty takes a true professional. A minor miscalculation in trying to time the market could cost thousands. Finding reasonable financing alternatives at affordable rates isn't a walk in the park today either. A

superior agent will be there working for you right up until the closing and will stay with you long after that as well.

So, choosing the right agent to represent your interests is definitely not like going to the pet store. There are many more choices than just singers or dancers. I'll set down here four criteria to judge by and then one bottom-line question when making that choice in the upcoming market.

1. **PRODUCT KNOWLEDGE:** What is your competition, where is it, and what is it selling for? Asking prices in the forthcoming market will mean nothing to prospective buyers. Future market activity will be a cross between a price war and a beauty contest. Your asking price and terms must be compelling not just competitive. The condition of your property will need to be sample-house ready. Buyers have always bought by comparison and a good agent will help them become as market-savvy as they can be. Sellers will need an agent with the courage of his or her convictions who will tell them what they need to know, not one who is telling them what they want to hear.
2. **PROCESS SKILL:** A real estate transaction has been likened to an iceberg floating in the ocean. Buyers and sellers only see the top tenth of what goes on in their transaction. The other nine tenths lurks unseen beneath the waves and is critical enough to sink the deal if you do not have a skillful pilot at the helm. Frankly, when the property sells is when the real work begins. Home inspection, appraisal, and mortgage issues will call for subsequent rounds of delicate negotiations.
3. **NEGOTIATING SKILL:** As one fellow put it: "If they were mild-mannered when negotiating with you on price, condition, terms of sale, etc.; then how likely is it that they will turn into a super-agent when negotiating with the buyer or seller on your behalf?" So, in the coming market, hiring a talented negotiator could save you thousands, perhaps tens of thousands of dollars.
4. **MARKETING PLAN:** Most agents put this up front in their presentation, but there is a reason that I save it for last. No amount of hype will compensate for an uncompetitive price, poor location, or poor condition

in a rebalancing market. Regardless of the mix of media employed, the plan should seek to know and take advantage of the methods that prospective purchasers are using to find the home of their dreams. Furthermore, you'd be smart to employ an agent who can be your ambassador to other agents and who has a reputation for doing good business. Because in the coming marketplace, nobody will have all the prospects.

**BOTTOM LINE QUESTION:** When interviewing a real estate agent, ask them why they believe that now is a good time to buy a home or make an investment. They should be able to explain that simply and effectively. Buyers are becoming increasingly nervous about buying as interest rates go up. They will want to know that they are making the right choice. You'll need someone who

believes that this is one of the best times in American real estate history to buy. If an interviewee gives you a song and dance on that, how will they be able to convince a potential buyer to buy your home or get that nervous buyer to take that leap of faith?

\*The Wall Street Journal defines the fed-funds rate as the overnight rate on lending between banks. It influences other consumer and business borrowing costs throughout the economy, including rates on mortgages, credit cards, savings accounts, car loans and corporate debt. Raising rates typically restrains spending while cutting rates encourages such borrowing. The mortgage market will be negatively affected by the prospect of tighter money.



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