

How to Sell Property



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Business Owner / Investor Selling Property

Explanation Of The Sales Process

Once you have decided to sell your property, there are several steps in the sales process that you should be aware of and how they relate to one another. As you go through this process, there are a few questions you should consider.

- What type of listing agreement best suits your needs?
- How do you go about negotiating the sale price?
- What needs to take place before title is transferred, and who is responsible?

This section addresses these questions by organizing the sales process into three major steps:

- The listing agreement,
- The offer and acceptance, and
- The closing or escrow.

The Listing Agreement

A real estate listing is an agreement between you (the property owner) and your real estate broker. Through this agreement, you are requiring your broker to find a buyer who is ready, willing and able to meet the conditions of sale that you establish in the listing. With the listing agreement, your broker is agreeing to represent you with your best interests in mind.

-Types of Listing Agreements

There are several types of listing agreements, each with their own advantages and disadvantages. You and your broker should discuss which type of listing is most advantageous for your current situation.

-Exclusive Right To Sell Listing

With this type of listing, your broker is entitled to a commission no matter who sells the property within a specified time. This is the most frequently used type of listing and accounts for the fastest sales. This is due to the

broker's willingness to put forth whatever time and effort is necessary to market the property, realizing that his or her efforts will be to his or her benefit.

An exclusive-right-to-sell-listing typically includes the following contract provisions to protect the property owner:

- A promise from your broker to put forth the time and effort necessary to market your property and find a buyer.
- An agreement to report every offer to you in a timely manner.
- An explanation of the conditions to access your property so that it is clear who has access and when they can enter the property.
- The amount of time that the listing is valid. Commercial and industrial listings are usually made for six months to one year.

-Exclusive Agency Listing

With an exclusive agency listing, you are agreeing not to list your property with more than one broker, but you are able to sell the property yourself and not owe a commission. Many better brokers will not work under this arrangement because they realize that the time and effort they spend on marketing the property will be lost if they do not receive a commission. They prefer, instead, to focus their efforts on exclusive-right-to-sell contracts.

-Open Listing

With an open listing, any number of brokers can market your property and look for a buyer. Whomever finds a buyer that meets the price and terms of the listing agreement will be owed a commission. While you may think that this type of listing will give your property the greatest exposure, keep in mind that the brokers may not put forth much effort in marketing the property for fear of receiving no commission.

The Offer And Acceptance

Once a potential buyer has been found, he or she will make an offer to purchase your property by completing a purchase contract. Consider what the advantages and disadvantages of each condition are in the contract. And remember that nearly everything is negotiable and nearly everything has a price. But keep in mind that any change you make to the offer is a rejection of the offer and becomes a counteroffer. The series of negotiations can

continue back and forth until there is a mutual agreement or an outright rejection of the counteroffer.

Counteroffer

If you wish to amend an offer (which is a rejection of the offer), then you are creating a counteroffer. Your broker will guide you through the process of preparing the counteroffer by either filling out a new purchase contract, writing out the changes to the offer as an attachment, or marking up the changes on the original purchase contract and initialing each change. The counteroffer must also state the amount of time that the buyer has to accept the new contract.

Letter Of Intent

If individuals want to express their desire to purchase your property without creating any legal obligation, then they may use a letter of intent. It is generally expected that the parties that sign this document are formalizing their intent to move forward to secure the property. This does not prevent you from selling the property to another buyer; it simply states the buyer's desire to purchase the property without any legal obligation. This procedure is generally used when a buyer needs time to analyze the feasibility of such a purchase or is trying to obtain financing.

Purchase Contracts

Once you have accepted an offer, you are obligated to deliver a clear title to the buyer at closing in exchange for the purchase price. The conditions of the sale are covered in the various elements of the contract.

The Elements of A Purchase Contract

-Location Of Property

The general location of the property is typically included, but is not a legal requirement of the contract. What is legally required is the legal description of the property that is recorded on the deed. It is very important that the boundaries are clearly stated in this description.

-Earnest Money Deposit

While an earnest money deposit is not legally required, it conveys the buyer's intention to follow through with the purchase of your property. It is advisable to get as much as you can for the deposit since this may be the only money that you receive if the buyer defaults on the contract.

-Deed And Condition Of Title

Within the purchase contract, the buyer states the type of deed that he is willing to accept. It also states who is responsible for purchasing the title insurance policy showing the condition of the title.

-Closing Agent And Closing Date

If an escrow agent is used to handle the closing, the purchase contract will include the name of the escrow agent and the escrow instructions. It also sets the closing date for the transaction. If it is customary to use a closing meeting, then the contract will include the name of the person that will handle the closing.

-Prorating

Items such as property taxes, insurance and mortgage interest, will be prorated based on the when the closing takes place.

-Clearing The Title

The contract spells out who is responsible for paying off any debts against the property.

-Inspections

The required inspections of the property will be stipulated in the contract and the person responsible for payment of the inspections will be clearly defined.

-Possession

The contract will define when the property is to be turned over to the seller for possession. This usually takes place on the day of the closing.

-Escrow Expenses

The contract also defines who will pay the escrow expenses.

-Personal Property

While the sale of personal property is typically handled in a separate Bill of Sale, it is sometimes beneficial to include the items in the purchase contract so that there are no misunderstandings about what is to remain with the property.

-Loan Conditions

If the purchase of the property is contingent upon the buyer obtaining a mortgage loan, then the conditions of the loan will be spelled out in the contract.

-Property Damage

The contract will also define what conditions may take place that would allow the buyer to walk away from the contract and receive his deposit. These conditions usually

involve "Acts of God" that cannot be controlled. Keep in mind that you may still be able to negotiate a satisfactory solution to keep the transaction going.

-Buyer Default

If the buyer defaults and does not fulfill his obligation to purchase the property, then you are entitled to keep the deposit.

"Time Is Of The Essence"

This phrase emphasizes the importance of the time limits in the contract. If you or the buyer do not fulfill the obligations within the stated time frames, then the contract is no longer binding.


Closing Or Escrow

Once you have signed a purchase contract, there are numerous details that must be handled before title is conveyed to the buyer. Survey property, review closing costs, order title insurance policy, prepare warranty deed, prepare loan document, search title, check tax records and more. The final step in the process is the title closing.

Title closing is the "event" that takes place on the scheduled closing date when the buyer pays for the property and you deliver the deed. This "event" is referred to as a closing, settlement or escrow, depending on what state the title closing takes place.

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