

# Are \$1 real estate listings legal?

## Gimmick isn't against the law, but it doesn't help sell a house

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One of the most widely read Moneyville (moneyville.ca) stories in the past month is the one about the Oakville home that was listed for \$1.

The house was originally listed for more than \$1 million. However, when no offers were received, the price was reduced to \$1 in the hopes of creating a bidding war. Instead, the ruse generated accusations of false advertising. While a few offers did come in, they were nowhere near what the sellers wanted, so the property was taken off the market.

Readers were angry and confused. Although few really believed the house was for sale for \$1, they wondered whether this gimmick was legal and, more importantly, did it actually work? It is legal, but the tactic generally doesn't work because everyone sees through it.

The \$1-listing started appearing about five years ago. In the beginning, it was about getting the property noticed or creating a buzz. In reality, it was more about creating a buzz about the real estate agent, who received lots of media exposure. But it didn't help sell the house. In fact, many agents have told me they and their buyers have not treated these \$1-listings seriously in most cases.

When it comes to the law, real estate deals have to be in writing and signed by the seller and the buyer. Just offering to sell a home on the MLS system does not obligate the seller to accept any offer that is presented.

That's why if a house is listed for

\$500,000 and you offer \$500,000, the seller doesn't have to accept. The financial terms may not be acceptable, the seller may have realized later that they had priced the property incorrectly. Or, perhaps the seller suffered a change in circumstances, such as losing their job, and could no longer afford to go through with the deal.

But this does demonstrate the importance of properly pricing your property to attract the largest number of potential buyers. Do not try to "test the market" by advertising a price that is 10 to 20 per cent above fair market value. You will only succeed in helping sellers who are selling in your area for fair market value, as they will be able to compare their home with yours. Later, as you start to reduce your price, people will wonder whether the reduction is because something is wrong with your home that is not being disclosed.

Also, do not price your home more than 7 to 10 per cent below fair market value, hoping to trigger a bidding war. Buyers and their agents are more sophisticated about pricing and can recognize this tactic. In a way, it is not much different than the \$1-listing.

If you want to price your home to sell, first do the proper home staging to make it appeal to the widest number of potential buyers. Then, after obtaining opinions as to what your home should sell for, price it at a range between fair market value to, at most, 5 per cent below fair market value.

By being more open and honest about the price you'll accept, you will attract the most serious buyers who are ready to buy a home.



TORONTO STAR

An Oakville house was listed for \$1 — but it failed to start a bidding war.