



THE REO OPEN HOUSE....

SUCCESSFUL MARKETING STRATEGY OR OUTDATED MARKETING TOOL?



By
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Many REO listing agents are asked to hold their REO properties open for public viewing. Holding open houses can be a contractual requirement made by the owner/bank/investor or just strongly encouraged by the seller. Some REO properties are in areas that may not be suitable for an open house. The condition of the REO property may also determine whether an open house is the most effective way to market the listing.

Although holding open houses is a standard and proven marketing option, how does the effectiveness of REO open houses in today's market – with unique characteristics classified by distressed market scenarios coupled with technology and information advances (particularly the information provided online to public buyers and sellers) – compare with open house effectiveness in the market and technology of the times in which the open house was born into traditional real estate practices?

According to the *2010 National Association of REALTORS® Profile of Home Buyers and Sellers*, twelve percent of home buyers use open houses as an information resource, however some estimate only three to five percent of houses are sold to a buyer who visited the home during an open house. Despite this gap, many sellers, both institutional and individual, insist on having their agents hold open houses. Based on my experience and research, I have come up with three reasons open houses are still requested by the seller:

Firstly, open houses give the appearance that the listing agent is doing something more than just placing a sign on the property and subsequently waiting for an offer. Holding an open house will demonstrate to the seller that the listing agent is taking time, normally a Saturday or Sunday, to market the property to the general public. It is an observable display that conveys time and effort by the agent on behalf of his or her client. The truth is holding an open house is really more useful for the listing agent than for home sellers. The relatively few hours a listing agent spends conducting an open house may yield several new potential buyers who can be followed up with as leads.

The second reason sellers may request an open house is because it is undeniably a useful and proven tool for selling – although the effectiveness in today's market versus the market of decades past is questionable. One major benefit of an open house is prospective buyer feedback. When a listing has been on the market for considerably longer than the average marketing time, one of the following two reasons are often the culprit:

The property is overpriced;

There are some functional or economical factors relating to the property that is preventing buyers from placing an offer.

Holding the property open to the public will allow the agent to gain important feedback from buyers. This information

should be shared with the seller and used to adjust the marketing strategy.

The third reason for open house popularity with sellers is that open houses allow buyers to physically see a property on a casual basis. There are some buyers who prefer to see properties without an agent. These buyers often act as their own agent and will only seek out the assistance of an agent when they are prepared to place an offer or feel they need some additional guidance. Open houses are a great way for buyers to preview homes and conduct their own visual inspection without the help of an agent.

An open house is still a generally accepted marketing strategy in home sales. However, their usefulness as a marketing tool is, in my opinion, overrated, largely because the vast majority of buyers will start their home search on the Internet from which they are able to obtain plenty of information about the homes in which they are most interested. In today's world of information and technology, buyers seem to be gravitating towards instant information that can be customized and tailored to their particular property preferences. With Internet searching, buyers have full control over time, location and extent of their search. They can use integrated and sophisticated maps and parameters which allow them to rapidly and logically narrow down an entire neighborhood to a narrow selection of

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subject properties of interest. When compared to the nature of open houses, which are held seemingly arbitrarily (to the public) and must be happened upon or sought-out, it is easy to understand why customized Internet searching, and later viewing with the help of an agent, is a method preferred by today's modern buyers.

Open houses are still an excellent method for agents to market themselves and their companies, and to pick up some potential buyers in the process. Listing agents should carefully consider whether their client would benefit from an open house, but understand that if the seller is requiring open houses, then open houses will need to become part of the marketing plan even if for no other reason than to give them that extra three to five percent chance of exposing their property to a buyer.

If you are planning to hold open houses, here are some basic safety strategies that you can adopt with every open house:

Know where all the exits are located for an easy escape.

Leave the front door locked so you can monitor who is coming in. If another agent is present, this will not be necessary.

Have everyone sign a register and verify with their identification. Legitimate prospects won't mind and should be impressed. They will think you will be just as protective of their home.

Try not to turn your back on your new prospect. Let them lead the way.

If someone comes in who makes you feel uncomfortable while you are alone leave the home and seek assistance.

Avoid working an open house alone. Bring another agent with you.

Make sure you have your cell phone with you in case you need to make an emergency call. Keep your phone on your person.

Check all rooms before beginning the open house for someone who might be hiding.

Listen to your instincts and trust your gut feeling about a person or situation. ☹

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