How Much Does It Cost to Sell Your Home?

From the real estate commission to taxes, a slate of costs accompanies the sale of a property.

By Dima Williams, Contributor
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As you prepare to move on to your next home, be ready to take on additional costs to successfully sell your property. (Getty Images)

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Nearly $21,000 – roughly enough to buy a 2019 Honda Civic. That is the average amount home sellers across the U.S. shell out to part with their homes, according to a recent analysis by Zillow and Thumbtack.

In red-hot locales, barring costs such as insurance and filing fees, the figure quadruples. In San Jose, California, for instance, it is close to $84,000. Meanwhile, in St. Louis, selling costs hover around $13,000.

No matter the city, a for-sale sign spawns expenses that begin to amass even before a house hits the market.

“A lot of sellers oftentimes focus on exclusively the sales price and see big dollar signs in terms of what they expect to get after they close,” says Sarah Mikhitarian, senior economist at Zillow. “But, of course, there are costs involved.”

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While they depend on local laws and unique arrangements, some of the most common outlays for a seller include:

- Preparations
- Staging
- Carrying costs
- Losses due to inability to sell
- Commission
- Closing fees
- Taxes

Preparations

According to Zillow's 2018 Consumer Housing Trends Report, nearly 80% of sellers carry out at least one prelisting project, aside from the usual decluttering and cleaning. Interior painting is the most likely one, followed by cosmetic updates to floors, bathrooms and the yard, which could add up to several thousands of dollars.

Such enhancements spruce up a home, adding heft to the asking price. Yet, many major undertakings – a complete kitchen remodel or a pool installation, for example – may negate the intended outcome.

“Sellers have to be careful when it comes to the difference between preparing and repairing a home,” says Katie Severance, with Prominent Properties Sotheby’s International Realty in Essex County, New Jersey. “(D)epending on the cost of renovations, there is no guarantee that they are going to get it back.”

Staging

In the National Association of Realtors' 2019 Profile of Home Staging report, 83% of buyers' agents stated that their clients found a staged home easier to imagine as a future residence.

"When people can say, 'Wow, I can see myself living here,' that is when they start making offers," says Karen Parziale, professional stager and owner of The Real Estate Staging Studio as well as a certified feng shui consultant.

Crucial for the living room, master bedroom and kitchen, staging as part of a home's marketing can bolster the closing price. According to the NAR, over

35% of polled sellers' agents and nearly as many buyers' agents reported a boost in a staged home's value of up to 10%.

Staging might also alter the time a property spends on the market.

"A lot of my listings sell faster when they are staged," says Mark Trompeter of The Trompeter Group in Jersey City, New Jersey.

But the benefits of staging come with costs. In New Jersey, where Parziale operates, a vacant, one-bedroom condo could absorb over $1,000 in staging fees and furniture rent for three months. For suburban, three-bedroom houses, the charge easily surpasses $5,000.

Depending on local industry customs, the seller, the agent or both may cover the expense. But some real estate brokerages are introducing novel payment options. Compass, for instance, recently unveiled a concierge program that offers sellers no-interest

“A lot of people would love to have staging and painting (but) it is expensive to put those costs out,” says Lisa Optican, a real estate agent and director of luxury sales for Compass in Los Angeles. “The fact that we can cover (minor updates and staging) and just advance (expenses) for them is a huge benefit.”

Carry Costs and Losses

While a home stays on the market, the seller shoulders the so-called carrying expenses of mortgage payments and any homeowners association fees, among other monthly costs. During that span, if the property is vacant, its insurance is likely to spike.

“The insurance community feels that homes that are occupied are better maintained and protected,” Severance says. “There could be an increase in the insurance,” for estates that are not.

If the search for a buyer takes a long time, a seller may incur the costs linked to a house’s inability to quickly change hands.

“A home that has a long market time tends to be discounted by the buying public, either by not even coming to look at it or when they do come to look at it, expecting to pay a lower price,” says Mario Greco of The MG Group in Chicago. Thus, a home’s blemished profile – even if entirely rooted in perception – could trim thousands of dollars in seller’s profits.

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Commission

An adept agent can avert a scenario where the seller “leaves money on the table,” Severance says. That's why she sees the real estate commission as an investment.

Subject to negotiations, the commission fluctuates between 5% and 6% of the closing price, and carries the stakes of both the seller’s and the buyer’s agents. It is the seller, though, who pays it.

The higher the closing price, the higher the commission, which is often the largest cost in a real estate transaction. In some of the country’s most prohibitive housing markets, excluding the luxury segment, it can reach over $70,000 – as is the case in San Jose. The average for the country is a bit over $13,500.

Closing fees

Myriad fees defines the closing process. From title transfer to escrow to homeowners insurance, the closing costs heaped on a seller vary with local laws and practices. In some states, where statutes bar agents and title companies from offering legal advice, a seller may pay for an attorney.

A seller might also pick up a customary home inspection and any preclosing repairs in addition to extending deal sweeteners. The feasibility of the latter hinges on the state of the market. In Chicago, where closing incentives are rare, a home warranty is the usual token of a seller's largesse, Greco says.

[**Read:** Why You Should Sell Your Home in 2019.]

Taxes

Up to $250,000 in capital gains from a home sale – or $500,000 for joint filers – is exempt from income taxes, contingent on ownership and use requirements.

Gains result from subtracting a house's basis from its closing price. The basis is a composite of the home's value when last purchased and any later capital improvements less losses and, if the home partially served business purposes, depreciation. Think of the basis as the cost of the property accumulated over the years of ownership.

Not subject to tax deductions, major upgrades that prolong a house's life or introduce new functionalities raise that cost and, thus, reduce the realized sale gain, says David L. Cameron, professor and associate director of the tax program at Northwestern Pritzker School of Law.

If the gain exceeds the exempted amounts, a home enhancement, hence, might decrease the size of taxes owed.

Aside from possible capital gains levies, home sellers may also owe local transfer or sales taxes that often equal a percentage of the closing price. When the latter, however, does not surpass the basis or the outstanding mortgage, a loss occurs, which, on a personal-use property, receives no tax relief.

“We frequently talk in terms of gains but at least in the last decade, there has been as much loss from the sale of homes as there have been gains," says Cameron.

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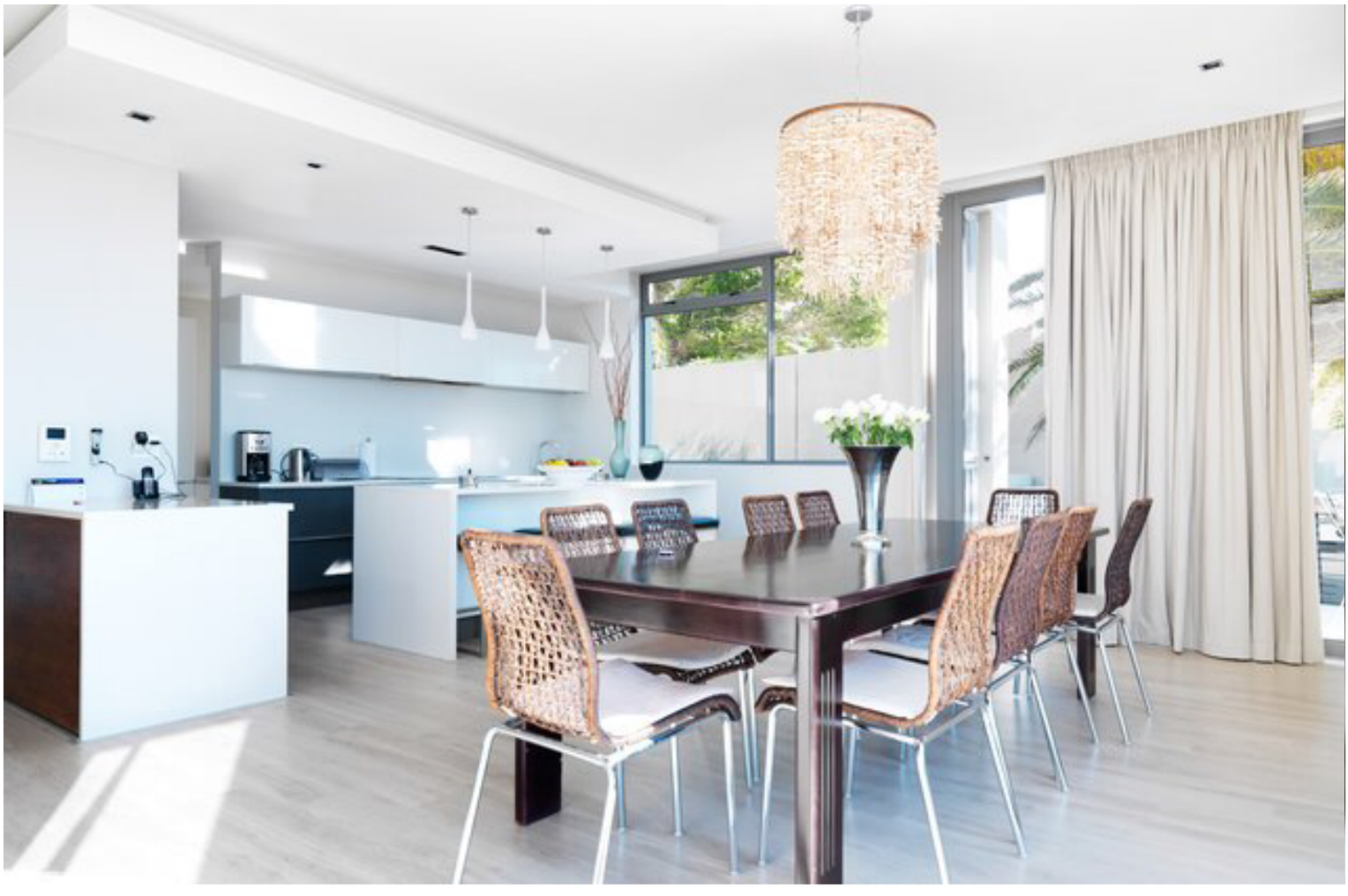

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Whether it takes a kitchen cabinet update or extensive home staging, a little extra work from a home seller can go a long way toward attracting more buyers who are willing to put up more money. The secret to optimally staging your home may be what you least expect: the art of feng shui. The ancient Chinese practice meant to bring balance and harmony with the natural world indoors isn't just about properly aligning energy – or chi – but it can ensure you're not accidentally turning off buyers. A 2015 Better Homes and Gardens Real Estate and Asian Real Estate Association America survey of more than 500 Chinese-Americans found 86 percent of respondents plan to factor in feng shui for future homebuying decisions. To avoid unintentionally sending a fair share of potential homebuyers away from your property, it's important to consider the basics of feng shui as you prepare your home for the market.

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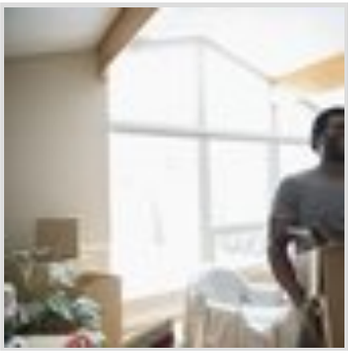

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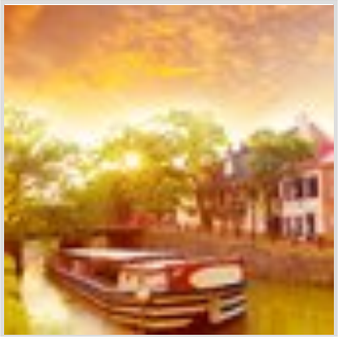

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