

# THE ORANGE COUNTY REGISTER

## Homesellers turn to private deals

By [MARILYN KALFUS](#)

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The buyer of a Newport Beach mansion that recently sold for \$27 million didn't find the 18,000-square-foot property by poring over the Multiple Listing Service.

The house was a pocket listing, discreetly marketed by a real estate agent to a select group of buyers.

Long favored by celebrities and high-end homeowners, word-of-mouth listings have become more prevalent among all types of sellers in Southern California's revitalized real estate market. Spurred by a shortage of homes for sale and rapidly rising prices, many sellers turned

to pocket listings to test the market.

Some simply want privacy, preferring low-key deals over mass marketing to a parade of Internet lookie-loos. Others use the so-called whisper listings to create an air of exclusivity. Pocket listings also help a seller avoid the MLS tally of how long a home has been languishing on the market unsold.

Pocket listings run the gamut, from informal agreements with a neighborhood agent, to signed contracts, to blind listings on online networks.

"They are so popular now that brokers and agents have been forming private groups and clubs to market these off-MLS properties," said broker Al Ricci of Orange, president of the Pacific West Association of Realtors. He recently shot a YouTube video advising would-be home sellers to steer clear of pocket listings. He stressed that putting a home on the MLS for maximum exposure – and, along with that, to get the best price – should outweigh a homeseller's preference for privacy.

"A real estate agent should advise their client that the decision to exclude their home from the MLS may have a significant downside," he said.

A spokesman for a pocket-listing website, however, contends that a lack of widespread exposure for a property can be a welcome plus in the intrusive Internet age, and that exclusively marketed listings shouldn't be available only to hotshots and top agents.

"They don't have to have a \$5 million house," said Chuck Dorfman, a real estate agent and spokesman for MarketPocketPro.com. He added, "If your property is priced to sell it will sell, whether it's privately or on the MLS."

### Realtors' campaign

Pocket listings can come at a cost. A smaller pool of potential buyers could mean losing out at a higher sale price.

The California Association of Realtors this summer led a campaign against the listings, urging sellers to "think twice" before going that route.

"A property listed on the MLS has the advantage of being actively marketed ... to a vast network of potential buyers," association president Don Faught said. "This type of broad market exposure creates the potential for multiple offers above the asking price."

The association cited a survey by a San Francisco Bay Area MLS showing that 74 percent of real estate agents stated an off-MLS listing decreases the chance sellers will get the best prices.

Real estate agents have also suggested that an unscrupulous agent can steer a client toward a pocket listing so the agent can limit who gets in on the deal and double end the commission, meaning a single agent pockets the commission paid on both sides of a deal. Some agents, though, say they discount the fee in pocket deals, especially if they aren't spending their time and money on open houses or marketing.

"Pocket listings are a really thin line as far as ethical behavior goes," said Chris Pollinger, senior vice president for sales at First Team. "If I'm really representing my client the best, I'm going to put the listing out for the greatest amount of people to see it and bid on it."

Pollinger, however, said he had no problem with marketing a home before putting it on the MLS, for instance, to generate buzz. He also is fine with limiting a listing to word-of-mouth if the seller is a celebrity or the home is being offered for upward of \$10 million and the agent has an extensive network.

"There is a legitimate place for pocket listings and private sales," Pollinger said. "But for most of your readers, it's probably a bad idea."

Other agents say pocket listings are never a good idea.

"If being on the open market is good enough for Kobe Bryant, arguably the biggest celebrity in the O.C., then it's good enough for everyone," said Jim Klinge, a Carlsbad Realtor. Bryant's 8,471-square-foot home in Newport Coast's gated Pelican Ridge, with a shark tank, hair salon and "extra deep" swimming pool, went on the MLS in August for \$8.59 million. The home is still for sale.

Often, homes start out as de facto pocket listings without the sellers' knowledge, Klinge said, as many agents ask sellers to sign a form allowing them to exclude a home from the MLS for longer than a 48-hour period.

"Agents will tell you it's because they need time to develop their marketing, but in reality they are shopping around the listing first to their own buyers, then among agents in their office and their waiting buyers, and then if all else fails, the listing gets inputted onto the MLS," he said. "This practice happens in virtually every office, big and small, and among the most successful agents to the rookies."

His advice? "Sellers should check the Internet themselves to verify their home has been properly listed on the MLS for sale, and advertised to the open market, before negotiating an offer."

Klinge thinks that off-MLS listings hurt not only sellers, but buyers, too.

"If a seller has found a buyer, and wants to dupe him into paying too much, he might try to tantalize the buyer with an 'off-market opportunity,'" Klinge said. "It is the reason why buyers should insist on buying only those homes on the open market."

### **Sellers in control**

Other sellers and agents, however, quietly and successfully work the whisper market.

Case in point: The hillside mansion on nearly three-fourths of an acre in Crystal Cove that sold for \$27 million last month was not marketed through the MLS. The sale of that pocket listing was a three-year high for Orange County homes. The buyer, from China, paid cash.

In Pelican Crest, a house selling for \$19.88 million as a pocket listing is getting plenty of exposure, too. The ocean-view, palazzo-style residence – with a turntable for cars in the garage and a mural on the master bathroom ceiling – recently was the site of a bash celebrating the launch of Berkshire Hathaway HomeServices California Properties. The stately, marble rooms and the indoor swimming pool – a rarity even among multi-million-dollar homes in Orange County – drew a steady tour of high-end agents.

In Dana Point, Realtor Phil Immel is offering a foreclosed home as a pocket listing with a more affordable price tag: \$1.35 million. Immel is working on behalf of owner and hard money lender Sandy MacDougall, who said he wants to get a jump on marketing the three-story, five-bedroom, ocean-view house while it is still being rehabbed.

He and Immel don't want to spend their time vetting unacceptable offers from those who can't envision the finished product, McDougall said. And they want to avoid the MLS clock of days on the market, which can make a listing seem stagnant.

"If we had listed it on the MLS we would've gotten lowball offers and we would have had to sit there with a stale listing when it's not even presentable to show someone yet," said MacDougall, president of Mortgage Vintage in Newport Beach. "We felt like with a pocket listing, with just a sign and some social media stuff, the really interested people, who are scouring the market, would realize there's a diamond in the rough here.

"If we're going to spend \$100,000 on the rehab, which we have, at least that, we want to make sure we're getting our value out of it," MacDougall said.

If it doesn't sell first, he said, the property eventually will go on the MLS.

Realtor Jon Flagg said pocket listings also can help match determined buyers with potential sellers or people in no rush to make a deal.

"Generally they're going to have to pay the seller a little more to get them out," said Flagg, co-founder of Villa Real Estate. "They might not be sellers otherwise.

"You'll have a neighbor who'll buy another neighbor's property so they can take 50 feet on the oceanfront and turn that into 100 feet," he said. "And they'll pay their neighbor a premium for that property."

### **Protecting privacy**

Some sellers turn to pocket listings to avoid other scenarios, like the nosy neighbor poking around on a proliferation of MLS-linked, consumer-friendly websites and then touring the home with no intention to buy. Or perhaps a likely seller is undergoing a divorce or facing a job loss and wants to see what a house might fetch. "The agents now have a channel to post these properties," Dorfman said, "and they don't have to post the address."

Many of the listings on his site are purposely vague, as are the photos. One home, described as a "Mid Century Contemporary Estate on top of Stone Canyon Bel Air," is paired with a photo of only the canyon, not the home. A listing for "Top Floor Penthouse in Los Angeles" offers a peek at one of the rooms.

Real estate agents note that the MLS does allow for some privacy; browse MLS-linked websites and sometimes you see homes with addresses undisclosed or with minimal photos. Sellers also decide whether to have an open house – or show a property by appointment only.

"Many of these (privacy) issues can be alleviated when a home is on the MLS, and yet some sellers truly remain uncomfortable with having their home 'out there,'" said Christine Donovan, a real estate broker at DonovanBlatt in Costa Mesa. But, she said, "Typically, the MLS boards require that a home have a picture of the exterior of the house and not just scenery."

Some real estate agents are of two minds on pocket listings.

"If the seller has a strong objection to strangers strolling through their home during open houses, or the inconvenience of having to prepare for a showing at in a short time frame ... then a pocket listing would be a very good alternative to a property advertised on a multiple listing service and disseminated to thousands of home-search sites for the world to see," said Margaret O'Brien of First Team.

But, she added, "They would only benefit if the agent they hire has access to serious, qualified buyers ... and interacts with agents that have the same."

**Contact the writer:** [mkalfus@ocregister.com](mailto:mkalfus@ocregister.com)