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Trading places

'I'll buy yours if you buy mine' becomes another tool in moving houses

By Sharon Stangenes

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After 12 months of a traditional listing, 33 showings and zero offers, Ryan Flickinger is trying a new approach to selling his three-bedroom, 2 1/2-bath Oak Park townhouse.

He's willing to swap it for a smaller Chicago condo and is letting that be known on six Web sites including Pad4Pad.com and Craigslist.org.

Flickinger is among those turning to an old idea—barter—to move on in a gridlocked real estate market. He is hoping to link up with someone who needs more space but likewise cannot find a buyer.

"People are looking for bargains," the recently divorced Flickinger, 34, said to explain why he hasn't had a nibble on what he says is a "Wright-style" residence bought in 2006.

Flickinger has had little time to build equity in his home, so he has not been able to drastically cut his price. He estimates he has had six inquiries on his swap posting and has made close to 30 of his own.

Those have led to three serious conversations with potential partners, including one who owned a one-bedroom, one-bath condo in River North, but the financial terms got in the way.

Though numbers are difficult to pin down, local realty agents say more sellers are asking about swaps. The concept has been featured on TV shows. Half a dozen Web sites, some free, list home swaps, and Chicago agents are posting properties on those sites.

Trading homes worked like a dream for Ryan and Laura Asher, who this month moved into a four-bedroom, 3 1/2 bath home with a big fenced lot near Randall Road in Elgin.

The Ashers paid \$295,000 for the 10-year old home, with new appliances, cabinets and a finished walkout basement. They bought it from Michael and Pam Daidone, who in exchange purchased the Asher's home, a 20-year-old three-bedroom, 1 1/2-bath townhouse in Streamwood for \$180,000.

The Daidones also are happy because "we were finally able to move on, after two years of stress and anguish" of trying to sell, said Michael Daidone, 42.

For that peace of mind, "we traded down," Daidone said, which is why they are back on the hunt for a larger ranch-style home where they will care for an aging parent.

As simple as the idea of "I'll buy your house if you will buy mine" may sound, swapping homes is not all that easy.

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In a traditional sale, a buyer just has to show up with the money, which the seller takes to shop for a new place. In a swap, your buyer must not only like your house but you must like his and be willing to pay his price.

After the emotional issues are settled, the financing hurdles are next, said John Gilmore, an agent with Re/Max Suburban in Arlington Heights, who expects to complete a swap soon.

There are today's tighter lending requirements, along with new federal rules eliminating seller-funded down-payment assistance for those seeking Federal Housing Administration loans. Then add the usual real estate channels: mortgage application, home inspection, closing.

Finally, swaps, which are two simultaneous real estate deals, are recorded like any sales transaction, making their totals hard to determine.

Even officials of Web sites that list or promote swaps can't say how many succeed. They compare themselves to a dating service or personal ads: a place where interested sellers and buyers can "meet."

And that's what the Ashers did. After having just two showings in three months with an agent, they turned to www.onlinehoustrading.com in July. For a \$20 fee and a limit of a 40-mile radius, the Daidones' home hit their radar.

Because the Ashers were pre-approved for a loan, they reached a quick agreement with the Daidones and moved in within a month.

However, the Ashers didn't show up until two years after the Daidones first put their house on the market and 18 months after the Daidones decided to try to make a swap.

Even after making \$60,000 in improvements, they said they couldn't compete with the \$50,000 to \$70,000 in incentives a builder was offering on houses nearby.

Michael Daidone said they had other swap offers in that time which fell through amid unrealistic demands by potential partners. It wasn't until the Ashers came along that, "at last we had a couple who understood the current market," he said.

Similarly, Greg Holt has yet to make a trade after nearly to a year. "I was close to two deals," said the chief executive of Denver-based Pad4Pad. Both were with builders but fell through over financing issues.

Holt's experience echoes that of veteran Chicago-area realty agents who agree that swapping is creative, but is no panacea for the current real estate market.

Cindy Eich, broker associate at Re/Max Unlimited Northwest, Palatine, recommends combining a swap offer with a traditional listing. "As a buyer, I wouldn't want to limit myself to a swap," she said.

She may have a point. Online swap listings total about 40,000 nationwide, according to a recent estimate.

That compares with active MLS listings for nearly 63,000 detached homes and another 39,000 attached (condos, townhouses and duplexes) for just the Chicago area as of July 31, said Alvin "Chip" Wagner III, owner of A.L. Wagner Appraisal Group, Naperville, which tracks MLS numbers.

Swapping "is the most successful for those who are in less of a rush," adds David Moskowitz, creator of Sarasota, Fla.-based DomuSwap.com. "One thing about trading is that it takes time.

"The typical real estate deal is gaming. It is offer/counteroffer. ... Swapping is more of a discussion," he said.

Swap rules

- To finalize any swap deal, both parties need to agree on the value of the respective properties and secure mortgage. The difference in value is paid in cash or from the new mortgage.

- As in any real estate transaction, the buyers/sellers should visit the property and get an independent appraisal and inspection. Each party should have an attorney to advise them.

- Ideally, both have the same title company and deals can be done simultaneously so there is no chance one party skips out leaving the other holding two mortgages.

When the same title company is not used, arranging the closings requires careful negotiation. Each party needs to be assured that the other will show up if back-to-back closings are at different locations.

—*Sharon Stangenes*

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