

SETTING THE RIGHT PRICE IS CRITICAL

By Rod Herman – All Rights Reserved

For many sellers, one of the hardest things to do is setting a realistic sales price. No matter how much market data they're shown prior to putting their home on the market, many still are tempted to "test the waters" with a price that's thousands of dollars higher than it really should be.

Their logic usually goes something like this: "I know what the statistics show, but our home has so many more amenities than the others on the market. And a much better location. When people see all that we've done to the inside, they'll realize that it's an incredible deal...even at this price. What's the harm in trying it at this price? After all, if it doesn't sell, we can always drop the price later on, right?"

Makes a lot of sense, doesn't it?

Well, yes and no. At first glance it does sound like a pretty convincing argument. Though, there are some hazards with following that line of thinking.

Time and time again, it's been shown that the most activity usually occurs right after a home has been put on the market. You've heard the old adage "familiarity breeds contempt." That's certainly true in the world of real estate.

As soon as a home hits the market, there's a lot of excitement surrounding it; especially if it's in tip-top shape and is located in a desirable area. The homeowners are excited and hopeful for a fast sale, so they make sure that the home looks its best all the time.

The new listing also causes a lot of curiosity, both from neighbors, passers-by, and other real estate agents...all of whom can't wait to see what the home looks like inside or to see how it's priced.

After a month or two, though, the excitement starts to wane. The new For Sale sign, which was once the talk of the neighborhood, now is just part of the landscape to many neighbors. They're no longer thinking of telling their friends or colleagues about it. It's old news.

The same is true in real estate circles. Dozens of other new homes have been put on the market since yours and they're now much more prominent in the minds of many real estate agents. All they remember about yours is that it's over-priced and has been on the market forever.

At this point, many sellers finally resign themselves to taking off their rose-colored glasses and reducing the price to a more realistic level. But unfortunately, some of the damage has already been done.

By this time, the appearance of the home often starts to reflect the seller's disappointment and frustration. Even though it might still look rather nice from the outside, if you look closer -- as a prospective buyer certainly will -- you'll find subtle areas of neglect. Perhaps the lawn isn't mowed as regularly as it once was. Or maybe weeds are growing in the cracks in the driveway or old newspapers are strewn across the front yard.

By this time, you've pretty much lost the interest of your neighbors -- people who are familiar with your neighborhood and who might know of others who are interested in moving there.

But that's not the worst part. By this time, you've probably also lost the interest of many real estate agents. And since these are the people who are working with the majority of the home buyers in your community, that can be devastating.

By now, your home already has the stigma of being an over-priced slow-mover. When you finally announce that you've dropped the price \$10,000, you expect bells and whistles to go off in everyone's mind. In reality, though, many say to themselves "well, it's about time."

But, as I said, the damage has already been done. Even when you get a real live buying prospect, there's not a lot of urgency. If they know that your home has been on the market for four or five months, they figure that they've got plenty of time to shop around and compare. Yours will be still be there a week from now.

That's a lot different than the way a buyer looks at a home that's only been on the market for a few weeks. If it's priced competitively and shows well, a motivated buyer will be tempted to act right away, out of fear that someone else will beat them to the punch.

In that case, there definitely is a feeling of urgency. What's more, as other agents learn that your home is getting a lot of showings, they're going to want to be sure to show it to their clients as well. That grapevine will create a lot of excitement and a lot of activity. And obviously the more people who see your home, the better your chances of selling it.

Time and time again, it's been proven that the best time to put your home's best foot forward is right after it hits the market. Putting all the effort into getting your house ready to sell and then pricing it way of line with where it should be is really like shooting yourself in the foot.

There are exceptions to every rule. Someone may come into town from a higher priced area, see your home, fall in love with it, and give little thought to the price. Or, there might be nothing on the market at all comparable to your home at the time. But again, those are the exceptions, not the rules.

Put yourself into a buyer's shoes. You're going to want to get the most home for your money. If one home looks tremendous, but is priced \$35,000 more than a similar home that also shows very well and is in an equally desirable neighborhood, which one would you buy? Unless the first one has a spectacular one-of-a-kind feature or amenity that's absolutely essential, there's a good chance that you'll gravitate towards the second one.

Not only will you buy the lower-priced home, but you'll also very likely use the higher-priced home to validate in your own mind what a tremendous bargain the one you're buying really is.

Setting the right price is crucial. Don't put yourself behind the eight-ball from the outset. Make sure it's realistic.

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