Understanding Pricing and the Effect is has on Selling Your Listing:

Understanding pricing is one of the most difficult things to do in real estate. Common sense says, “If I am priced in the ball park someone should still want to see my property and just make a lower offer.”

-Right?

-Wrong. It just doesn’t work this way. In real estate, unless you are in an off the charts, hot market…if you are 10-20k overpriced (in lower price ranges) and (30-50k in higher price ranges) that will typically be the difference from getting a bunch of showings and offers, to not getting any showings at all.

The market is so price sensitive, that is why it pays to have an expert to guide you through whether to stay put at a price and wait it out, or whether you should reduce right away.

Initially pricing a listing:

1. When you initially price a listing, your price is based on the comps the past year or two in that section and then factor in condition. (This only gives you a basic road map).
2. From here you make sure the listing looks great, then get the listing out to all the agents and make sure the listing goes everywhere online so it’s easy for buyer to have access to.
3. From here you need to judge the listing based on ACTIVITY. If you’re not getting activity you’re overpriced. Period.
4. That is the market speaking to you, the buyers are saying “You’re not even in the ball park based on price so I’m not going to waste my time.”
    a. The market is so sensitive that the “ball park” can be a razor-sharp edge. This means that a 10-20k change in price can make your listing go from undesirable to desirable.
    b. Remember, buyers are not mind readers, they don’t know how much you’re willing to negotiate and they aren’t keen on wasting their time finding out. That’s why you need to be priced really well, then you get all the showings and all the offers, putting you in a far better place at the end of the day.

How the market works:

1. The buyers are looking at all the properties in your price range and bed and bathroom range in your town, not just in your subdivision. If a new subdivision is offering nice houses at lower prices, this directly impacts your home’s value. Buyers are looking for the best house for the best price in a certain town. Period.
2. This is why you must judge a listing 100% on the activity. 2-4 showings a week is healthy, less than 2 showings a week and you are overpriced.
3. This is why it’s always better to price your listing as close to your bottom-line number as possible if you’re listing is having trouble- better to get more people in and have someone fall in

love with the property and get multiple offers and sell for full ask (this happens all the time when you're priced right) or sell for very close to ask (also happens all the time).

4. The trickiest part is finding the "sweet spot price" and you do this by doing the comps for initial pricing, then reducing in increments to move the needle based on activity.

The dangers of leaving a listing overpriced:

1. All the buyers will see that it out there "sitting and going stale".
2. If the listing expires, the buyer's agent can look up the listings history in the MLS and see that it's been on the market 3 times, etc. Then they can recommend their buyer to come in at a lower price due to the lower perceived value.
3. You want to get in and out of the market quickly- if a reduction must be made, it's better to do it quickly and rip off the band aid, vs letting the listing sit and go stale which in many cases will cause the property to sell at a lower price down the road than it would have if you made the reduction early while the listing was still viable.

I find that sometimes it's very difficult to communicate all this information clearly, so I hope this helps for understanding. The final answer on whether to reduce a listing or not comes down to this main question:

1. **Do I really want to sell? If the answer is yes – then we should do what needs to be done and sell.**
2. If the answer is no, (then it should be no for the next few years) letting a listing expire and then putting it back on the market shortly after puts blood in the water for good agents who are going to look at the listing history and if they are good agents they will typically advise their clients to make lower than normal offers that they would advise on a newer fresh listing.

That's why this is so important.

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