

Forget the gimmicks and price your home to sell

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THE HOUSING SCENE



You can spruce up the outside of your house to the point where it stops passersby in their tracks. You can “stage” the inside so it looks roomy and brand-spanking new. You can give away a car or vacation to your eventual buyer. You can even offer a cash bonus to the selling agent.

But in today’s market, if your place isn’t priced correctly, it probably isn’t going to sell. More than likely, it will languish on the list of unsold inventory until the market adjusts back up to your asking price. And that could be months — or even years in some places.

A far better plan is to adjust your price to your local market conditions, and let the market come to you.

“I have learned that a great strategy for sellers who are serious about getting their homes sold is to price the property ahead of the market,” says Michael Selvaggio, president of the Council of Residential Specialists and a broker in Townsend, Del.

In a seller’s market, Selvaggio explains, there’s nothing wrong with setting your price a little higher than the last selling price because prices are steadily rising. But in a flat or declining market, your price should be a little lower than the last comparable sale.

Yes, lower. Not the same, but lower. And not just a few percentage points lower, either.

“When was the last time you rushed out to the mall to take advantage of a 2-percent-

off sale?” the 32-year real-estate veteran asks. “You need to have a real sale, so how about 5 percent to 10 percent off — for starters?”

Owners instinctively know, perhaps with a little prodding from their agents, that they’ll have to adjust their price if their homes are not in great condition. Ditto for houses that are not in the greatest locations.

But many sellers today are reluctant to trim their asking numbers in a “challenging” market, clinging unflinchingly to the notion that their homes are worth what they paid for them — and then some.

In some places, prices are holding steady, so a lower asking price may not be in order. And in some neighborhoods, prices are still going up, so a higher asking price may be called for.

But in most places these days, prices are down, which is why the shelves are lined with unsold houses. Indeed, the inventory of houses on the market nationwide is the largest it has ever been.

“There’s a lot of wishful thinking going on out there,” says Spencer Rascoff, chief financial officer at Zillow.com, which reported recently that 72 percent of all owners believe their homes’ value has increased or remained unchanged over the past 12 months — a period when three out of every four houses actually lost some value.

Maybe there’s a fair bit of owner denial in the Zillow survey’s results. Maybe people aren’t paying close attention because they’re not trying to sell their homes. But unless you’ve had your head in the sand, how could you miss the news reports about the housing debacle, which lead most

newspapers and television and radio broadcasts on almost a daily basis?

Earlier this month, for example, Global Insight, an economic analysis and forecasting firm, reported that prices fell in the first quarter in 262 of the 330 housing markets it studies.

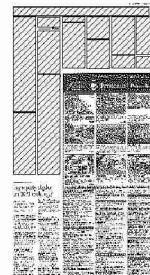
At the same time, however, houses are selling. And sellers who have the best results realize the logic and marketing advantage behind placing a realistic price on their homes, says Selvaggio. “Make no mistake about it, price sells.”

If many sellers haven’t yet gotten this message, too many real-estate agents haven’t gotten it, either. These are plenty of agents who continue to accept overpriced listings under the theory that if you throw enough mud against the wall, hopefully some will stick.

Their reasoning seems to be that if some fool doesn’t happen to fall in love with the house while it’s under the agent’s control, maybe the seller will be willing to drop his asking price after the house sits on the market for a few months without attracting any visitors, let alone any offers.

According to Robert Jensen of the Jensen Group, a luxury Las Vegas, Nev., real-estate agency, an overpriced house will wither on the listing vine, putting it at a strategic disadvantage to other, newer listings. Ultimately, Jensen says, the owner of an overpriced property is often forced to accept less than what he might have sold it for had he been more realistic in the first place.

Howard Brinton, a popular sales trainer from Boulder, Colo., says too many agents let



the market control them instead of the other way around. Agents, he says, need to be a counselor and educator as well as a salesperson.

“Pricing, specifically correct pricing, is the only answer for today’s changing market, and the most important thing a Realtor can do for his client,” Brinton says.

To price your home properly and achieve a prompt sale, you need to anticipate the market and get in front of it. “You never want to get caught chasing the market down,” the realty educator advises. “You want to get ahead of it.”

To price their homes properly, sellers need to know how fast properties in their specific market segment are being sold. You also need to know how much competition you have for today’s skittish buyers, most of whom are worried about jumping into the ocean while the tide is still going out. And you need to know how the following vital market statistics stack up for or against you:

■ **Absorption rates.** This is the number of homes sold in

any given time frame, perhaps the past 12 months or maybe the past six or even the previous three. Divide the number of homes sold during the entire period by the number of months — 120 houses sold during a 12-month period — and the result will be the number of houses sold per month on average.

Now move the period forward, month by month, and you’ll find which direction the market is heading. If the aver-

age number of deals is more, the market is improving. But if it is less, the market is slowing. “In most places,” says Brinton, who has been training agents since 1984, “the number of transactions is not as robust.”

■ **Inventory.** The number of unsold houses is another gauge of market conditions. Divide the current rate of sales (the absorption rate) into the total inventory, with the result being the months’ supply of houses on the market. A six months’ supply is considered normal. Below six and the market is considered strong. Above that, though, the market is soft.

■ **Days on the market.** Look at how quickly — or, perhaps more appropriately for today’s conditions, how slowly — houses are selling. If the most recent sales in your price range, your neighborhood or for your type of house are occurring faster, the market is strengthening. But if the sales pace is slowing, the market is weakening.

Of course, it is difficult, if not impossible, for sellers to perform this kind of research on their own. But if your agent can’t do it for you, cast him aside and find one who can.

Above all, heed Brinton’s final bit of advice: Selling houses is like standing in line at the grocery store. Eventually, you are going to get to the cashier. But if someone breaks in line with a more competitively priced property, you are going to take at least one step back.

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