5 Reasons To

Price Right the First Time

1. YOU'LL MISS THE MARKET

Too high a starting price is costly because it causes a property to miss its market. When a price is too high, those home buyers for whom the home would be right will not see the house because it is out of their price range. Shoppers who are in the price range of the asking price will see the home as overvalued and buy something that they think is a better value. Further, agents will be reluctant to show the property, except maybe to show the relative value of a competing property. Good agents are not those who can sell overpriced homes to gullible home buyers; good agents are those who present to their clients homes which fit their needs and are good, fair value.

2. TESTING THE MARKET ALIENATES SERIOUS PROSPECTS

Many prospective sellers want to test the market at a high price. Though at first glance it may seem harmless, testing the market can be risky. A property receives full market exposure in the first five to seven days on the market. The best prospects for any property are those who have already evaluated and passed on the competition. They understand the market, home values, they know what they want and will come see the property within the first week. If the home does not appear to be a good value, savvy shoppers will often decide to wait for a better home. It's rare for them to return, even if the price is reduced. Its difficult enough to plan a home purchase, let alone doing it with theoretical numbers. The seller who tests the market may turn away the best opportunity to sell.

3. YOU MAY NOT RECOGNIZE YOUR BEST OFFER

An easy trap for those who test the market is shifting value perspectives. Even when the market provides evidence that the price is too high (no showings, or showings but no offers), the tester may be unwilling to reduce the price for fear of underselling. Or worse, turning down an offer that is low only relative to the asking price but is the best offer that will ultimately be received. In an extreme example, a homeowner whose house was listed at $1,500,000 turned down an offer for $1,400,000. After 3 months the home sold only after reducing the price to $1,350,000. The overpriced house stays on the market and statistics from the NWMLS show that the longer a house is on the market the lower the selling price in relation to the original listing price.

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Reasons to Price Right
(continued)

4. CARRYING COSTS START TO ADD UP

The high price includes other costs. Some of those costs are financial; a home on the market is a non-productive asset. An unsold house represents financial resources committed ot continuing ownership costs – interest, taxes, maintenance, staging – and the loss of the potential alternative uses of the funds tied up in the property.

5. TAKES AN EMOTIONAL TOLL

There are also non-monetary costs. An unsold house prevents the owner from proceeding with whatever plans led to the decision to sell – purchase of a different home, moving from the area, consolidating households, liquidating an estate, concluding a divorce, moving a child into a bedroom of their own. The cost of deferred personal plans cannot be measured, but they still have an impact.

REMEMBER: THERE IS ONLY ONE CHANCE TO MAKE A FIRST IMPRESSION

Pricing a home is part art, part science. Like scientific decisions, the pricing process should be based on evidence like the prices paid for similar properties in recent sales. Since no two homes are exactly alike, however, the evidence must be evaluated and a judgment reached. Because each of us has a great deal of emotional attachment to our homes, the objective opinion of a professional is vital. ***The right price produces the highest return!***

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