

(Seller Article)

## The Effect of Overpricing

### Meeting With Real Estate Professionals

So you've decided to sell your home and have a fairly good idea of what you think it is worth. Being a sensible home seller, you schedule appointments with three local listing agents who've been hanging stuff on your front doorknob for years. Each Real Estate Professional comes prepared with a "Competitive Market Analysis" on fancy paper and they each recommend a specific sales price.

Amazingly, a couple of the Real Estate Professionals have come up with prices that are lower than you expected. Although they back up their recommendations with recent sales data of similar homes, you remain convinced your house is worth more. When you interview the third agent's figures, they are much more in line with your own anticipated value, or maybe even higher. Suddenly, you are a happy and excited home seller, already counting the money.

### Which Real Estate Professional do you choose?

If you're like many people, you pick Real Estate Professional number three. This is an agent who seems willing to listen to your input and work with you. This is an agent that cares about putting the most money in your pocket. This is an agent that is willing to start out at your price and if you need to drop the price later, you can do that easily, right? After all, *everyone else does it!*

The truth is that you may have just met an agent engaging in a questionable sales practice called "**buying a listing**." He "bought" the listing by suggesting you might be able to get a higher sales price than the other agents recommended. Most likely, he is quite doubtful that your home will actually sell at that price. The intention from the beginning is to eventually talk you into lowering the price.

Why do agents "buy" listings? There are basically two reasons. A well-meaning and hard working agent can feel pressure from a homeowner who has an inflated perception of his home's value. On the other hand, there are some agents who engage in this sales practice routinely.

### What Happens Behind the Scenes

Whichever the case, if you start out with too high a price on your home, you may have just added to your stress level, and selling a home is stressful enough. There will be a lot of "behind the scenes" action taking place that you don't know about.

Contrary to popular opinion, the listing agent does not usually attempt to sell your home to a homebuyer. That isn't very efficient. Listing agents market and promote your home to the hordes of other local agents who **do** work with homebuyers, dramatically increasing your personal sales force. During the first couple of weeks your home should be a flurry of activity with buyer's agents coming to preview your home so they can sell it to their clients.

If the price is right.

If you and your agent have overpriced, fewer agents will preview your home. After all, they are Real Estate Professionals, and it is their job to know local market conditions and home values. If your house is dramatically above market, why waste time? Their time is better spent previewing homes that are priced realistically.

## **Dropping Your Price...Too Late**

Later, when you drop your price, your house is "old news." You will never be able to recapture that flurry of initial activity you would have had with a realistic price. Your house could take longer to sell.

Even if you do successfully sell at an above market price, your buyer will need a mortgage. The mortgage lender requires an appraisal. If comparable sales for the last six months and current market conditions do not support your sales price, the house won't appraise. Your deal falls apart. Of course, you can always attempt to renegotiate the price, but only if the buyer is willing to listen. Your house could go "back on the market."

Once your home has fallen out of escrow or sits on the market awhile, it is harder to get a good offer. Potential buyers will think you might be getting desperate, so they will make lower offers. By overpricing your home in the beginning, you could actually end up settling for a lower price than you would have normally received.

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