

CHAPTER 24

PERFORMANCE OUTSELLS PROMISES: PERFECTING PRICING TO GET A HOME SOLD

BY DENISE SWICK

In my 23-year career as a realtor listing and selling homes, one thing has not changed—the combination of price and a seller’s motivation is the reason a home sells or doesn’t sell. Many will debate that upgrades made or not made, location, time of year, and number of competing homes for sale, are the reasons a house does or does not sell. Actually, these are just contributors.

Pricing the property accurately for the market will attract the highest number of serious buyers to the door. The right market value also signals to a buyer that sellers are both serious and reasonable. Purchasers naturally buy by comparison. They know that a good value is still a good value, regardless of the market and regardless of the price point of the home. It is possible to have multiple offers in any type of market, buyer or seller, when the property is priced for the current market conditions. Most often realtors won’t even show and truly motivated qualified buyers cannot waste their time looking at overpriced properties.

Several years ago, a national speaker, mentor, and coach shared the formula for measuring the price effectiveness in the market that works in almost every case and in every part of the country. If a property sells

within the first 30 days, the market indicates the price was accurate for the market. If the property has not sold within 30 days, the listing agent and seller must look at the following data: When more than five qualified buyers take time to schedule a showing through an agent, walk through the home, and choose not to buy it, the market is indicating the property is 5 to 10 percent over the current market value. Similarly, in the same time frame, if less than five buyers come through the home, and no offers made, the market is indicating the property is at least 10 percent over market value. Buyers will not waste their time looking at it. While in some cases a seller will receive, what in their opinion and often to an untrained agent as well, an offer that is “low,” it is important to negotiate that offer to its highest and its best. Historically the first offer received is typically the highest and best, once that negotiation process is complete.

Naturally, it just makes sense that the buyers, who are coming through a “new” property listing, have seen all the other homes on the market competing with this property and are not selling. Therefore, when a buyer and agent see a property that is new to the market and priced for the market conditions, condition of the property, and the other factors affecting the home, they know if it is a good value or not and will quickly want to make an offer!

Clearly, buyers buy by comparison. When the homes they are looking at meet their basic criteria, square footage, number of bedrooms and baths, and the other must haves, the comparison begins. If a property has more square footage, yet is in need of major updates compared to one with a little less square footage but is move-in ready, most buyers will choose the move-in ready, unless they get a significant discount to make up for the improvements necessary to bring the larger home to today’s selling standards.

Buyers compare all the buzzwords: features, benefits, updates, amenities, and square footage, yet when they see a good value, they will purchase it quickly. Whether one is listing a home or shopping for one, these factors must be known that affect the sale.

MARKET FACTORS

So how should a real estate professional arrive at the right price? One works from the micro to the macro; begin with close to same type of home in the same area, as in within a quarter mile, same subdivision,

same building etc., and then compare the details and amenities. Comparable homes are a good starting point; however, comparing two ranch-style homes with the same square footage will not give you the right price. The floor plan and square footage might be the same, yet the home with recent updates and with the amenities that the market demands will sell for more. A home might have been the top of the line with Corian countertops and brass fixtures and pickled-oak cabinets when constructed in 1998, but now a buyer would expect granite countertops, maple cabinets and pewter fixtures, all of which can be expensive cosmetic changes.

Current trends do affect the price of homes, even in a down market. If the market starts to rebound a little and new home construction begins again in earnest, existing home prices for homes without updates may still take an even bigger hit, depending on the market. It is important to understand that real estate is really a supply and demand market.

Market factors that also affect your sale are the current inventory on the market and buyer interest. Existing homes will sell more slowly if they cannot compete with the current inventory. People purchase by comparison. Extras increase buyer interest because they feel they are getting more bang for the buck. Maintenance items such as a new hot water heater are not something to count as an “extra.” The new carpet installed five years ago is not new anymore. It has five years worth of dirt on it. Updates and improvements will change the playing field, but keep the following as a guideline.

UPDATES

New roofs, windows, furnaces, and central air are all maintenance items. Compare them to oil changes and new tires for your car. These items, when new, might help your home sell more quickly, but they do not increase the value of your home to the market. After all, who would live in a house with a leaking roof? These items have to be replaced, but it is not a dollar-for-dollar recoupment of what the seller spent. The most cost-effective things one can do are give the home a perfect, neutral fresh coat of paint and really great new flooring, and a good first impression.

The rules I speak of are for the masses. Yet we all know occasionally there is an exception to every rule—with the operative word here being “occasionally.” I had a client once who had “wallpapered” her kitchen a

deep Ralph Lauren shade of red. Her dishes matched the wallpaper. The look suited her. I advised her that she may need to repaint the kitchen promptly before listing her home, yet the client decided to wait and see. Despite her loud red wallpaper, the client's house sold the next week when a buyer with the *exact same* dish pattern loved the kitchen. That client should have played the lottery that day, as her chances of finding a buyer such as this was one in a million.

Several factors will affect the price at which a home will sell. One cannot change the location or the bones of a home, but one can bring it in line with other homes on the market so that the home will be more competitive. The seller's goal is to make the home stand out from among all the other MLS listings. It may cost \$10,000 to replace the flooring in the home before it is listed, but a potential buyer will surely ask for much more in allowances if they need to replace the flooring themselves. Think of model homes when making updates; neutral and normal are the standard. The masses want to blend in; they don't want their home to stand out. The longer a seller waits, the lower the price a property will bring. Homes do not gain value sitting on the market, unless market conditions dramatically change due something unforeseen, like a company such as Microsoft moving into your neighborhood and bringing 50,000 jobs.

“UNWANTED” HOMES

The saddest stories are those of clients—like several I have helped—whose homes were on the market for years because the client believed they should be able to get out of the home what they had paid for it. I have seen clients who desperately needed to sell unwisely use second mortgage equity lines and other credit devices to make payments for the first mortgage and other bills, rather than sell for less than what they originally paid for it. In the end, the client still had to do a short sale for nearly half of what they paid, due to the second mortgage and other debt creeping up like a cancer. Short sales are not “bad” homes; they are homes where a seller owes more than the current market value.

One of the most troubling things I hear from clients whose homes have been listed with another realtor but didn't sell are the stories of having gotten an offer and the *realtor* tells them not to accept because they can “get more” for the house. As mentioned before, once negotiated to the

fullest, the majority of the time the first offer received on a home is the highest and the best offer. The longer a home is on the market, the more people can assume they will get a deal on the home. Laws of supply and demand affect sales prices too.

SUPPLY AND DEMAND: BUYER'S MARKET OR SELLER'S MARKET

In a seller's market, there is less supply than demand. People will pay over the asking price for a house with all the bells and whistles and sometimes without bells and whistles, depending on how low the supply is. However, people will not overpay just because you think your house is worth X amount of money. Realistically, there are only two things that will make a person's home sell quickly: the seller's motivation to sell (where the market is at now, not what they paid for the home or what they think it should be worth), and the asking price they arrive at with a professional realtors' help. Seller's will sometimes mention to me that their "friend" says their home is worth X amount of money, to which I reply, "Then let's ask your friend to buy it first before we price it right for the market. It is always my goal to get you the most money." For your information, the friends have never stepped up to the plate. A home's asking price needs to be computed using fact, not emotion, nor unqualified opinion. Its value is set by the market, not by how much you owe on your mortgage or by how much your taxes are. New construction affects resales, loss of jobs affects resales, increase of jobs affect resales and interest rates affect all sales.

The web has become bigger and bigger in the industry for generating information. Nothing is secret anymore. Buyers can go to the internet and see that the house they are looking at has been for sale 455 days. Human nature dictates that a person really does not want a home that no one else wants either. Buyers want to know what is wrong with a home that has been on the market a long time. Naturally, often they conclude that if there is something wrong with the house, the seller is unreasonable, or they really do not want to sell. After 20+ years of working with sellers who had previously hired other agents prior to me, that is not the case. They were sometimes only 5 to 10 percent over the actual market value.

Remember, home sales are strictly a matter of supply and demand, based on conditions; the market is either a buyer's market or a seller's mar-

ket. Think of supply and demand with regard to large gas guzzler SUV sales. The sales go down as gas prices go up. Do you see an abundance of Hummer dealerships in your town? Housing markets vary in much the same way. Typically, a six-month supply of homes on the market compared with demand equals a neutral market. Fewer homes listed than there is demand for equals a seller's market. And a greater than six-month supply of homes compared with demand equals a buyer's market. Shadow inventory, houses that will probably enter the market as distressed sales in the future, also affect resale markets. If reading this is causing a minor feeling of dread about pricing a home for resale or purchasing one, know that a competent realtor can help. Knowing what to look for in your real estate agent is as important as knowing the factors that can affect your price.

CHECKLIST FOR HIRING A REALTOR

I became excellent at pricing by selling three to five home listings per week and studying the market daily. Most agents have at most zero to three listings at a time. When selecting a realtor, interview more than one real estate professional before hiring someone. In fact, interview two to four agents before hiring one. Automatically listing with the agent who reports the highest asking price for a home, without convincing proof, can cause your home to sit on the market unsold. Here are more points to keep in mind:

- Avoid listing for the highest price in area.
- Select a realtor who lists and sells at least 25 homes per year, otherwise, the realtor might not have the experience to manage the home sale properly. Realistically that is only two per month.
- Ask all realtors who you interview: "What is your average number of days on the market for your listings?"
- Make certain the agent understands economies of scale.
- Ask all the realtors what their communication is with you. How often and what kind?
- Ask if they have a proven system that is duplicatable, predictable and measurable.

All realtors have the same tools in their toolbox, yet, clearly, the top agents use them more effectively and add their own solutions.

Just by putting a home on the MLS, the home will get a ton of exposure, yet it might not sell because the price is wrong. Companies that will list a home on the MLS charge anywhere from \$500 or \$1,000 up front to get the home exposure in the marketplace, but they do not help price it, and if the home doesn't sell, the seller loses that money. An experienced agent with knowledge and expertise will show why a home is going to sell and for how much it is going to sell. However, some agents will suggest an appraisal to determine the value of a home to help set a listing price. Appraisers are skilled in numbers not people. They do not work with hundreds of buyers like we do and understand the buyer mentality. Our team has sold four homes in the recent years owned by property appraisers that were expired listings. An expired listing means the home didn't sell at the asking price the appraiser probably determined the home was worth! It's funny, but it's true.

Any realtor can list a home, yet a seller doesn't want a listing, a seller wants a sale. Performance outsells promises. Locate an area realtor with proven results, and you'll find the realtor who prices homes accurately to transact the highest sale. Anything else in the realtor's presentation—how wonderful they or their company is, what clubs they belong to, or their tenure in the business is fluff. The right market price is what sells the home and an agent that can exemplify this is the right agent for the job of selling the home.



About Denise

Denise Swick, founder of Denise Swick & Company, has been a realtor in the Dayton, Ohio, area for over 20 years. Her philosophy is simple: Performance outsells Promises. Denise really enjoys actually assisting buyers buy and sellers sell. It is imperative that the buyers and sellers want to buy and sell as much as she and her team want to help.

In addition to earning her bachelor's degree in marketing in 1992 from Wright State University, Denise obtained her real estate sales license in 1989 and her broker's license in 1995. She received "Top Ten Teams" for Southern Ohio Remax region for 2004-2012 and is listed in the "40 under 40" by the *Dayton Business Journal*. Additionally, Denise qualifies annually for the highest levels of awards from the state and area board of realtors.

Denise has distinguished herself in her field by building winning relationships with her clients and ensuring that both sides feel they can work together to form a partnership. She believes that her clients must trust the process and her plan to sell and/or buy their home. Additionally, as part of a partnership, her clients are as committed to selling their homes as she is.

In her free time, Denise serves as president of the Dayton, Ohio, Habitat for Humanity, is a member of Rotary Club of Dayton #47, and serves on the board of advisors for the Dayton Racquet Club.