

“If Pricing is the foundation to home selling, then Overpricing is the crack in the foundation”.

Overpricing a home is the #1-way sellers sabotage their ability to get the most money for their property. The common logic is that pricing a home higher will lead to a higher sale price – WRONG! Price a home improperly and you could create a whole slew of negative consequences including no sale.

I’m Not in a Hurry to Sell

This is probably the most legitimate reason for setting too high a price on a home. If you are really in no hurry to sell your home then you can set whatever price you want. Who knows, maybe someone will come along and be willing to pay far above market value. If you do not need to sell your house right now at the price you can reasonably expect to get, it is probably worth skipping the whole selling process and waiting for a time that fits with your needs. The market may go up or it may go down, but the best time to sell is going to be when you actually want to get the sale done. What many homeowners fail to understand is that time is your enemy not your friend. While you may have all the time in the world to sell your home the market looks at your home being on the market for a long time in a negative light.

A potential buyer has two things going on in their mind when they see a property languishing on the market.

- The first thought they will have is what’s wrong with the property. If nobody else has grabbed the home and it has been on the market this long there must be a problem.
- The second thought that will enter a buyers mind is how much of a discount they can get. The longer a home is on the market the more apt a buyer is to place a low ball offer on your home. It is a fact that there is a strong relationship between the time on the market of a home and the gap between the list price and sale price.



I Can Always Come Down on My Price

This is technically true. You are in complete control of what price you accept for your property. It is yours, after all. The problem with this idea is that it fails to take into account the realities of selling a home.

If your home does not sell in a timely manner it will eventually start to take on a negative stigma. As mentioned above, buyers are suspicious of homes that have been on the market too long.

It makes them think that you must not really want to sell, that you are unreasonable, or that there is something wrong with your home. The longer they are allowed to think this and the more common this perception becomes, the more likely you are to start getting offers you would never consider or none at all! You can always come down on the price, but not pricing a home properly from day one is a mistake that almost always has negative consequences.

I “Feel” My House is Worth X Amount of Dollars

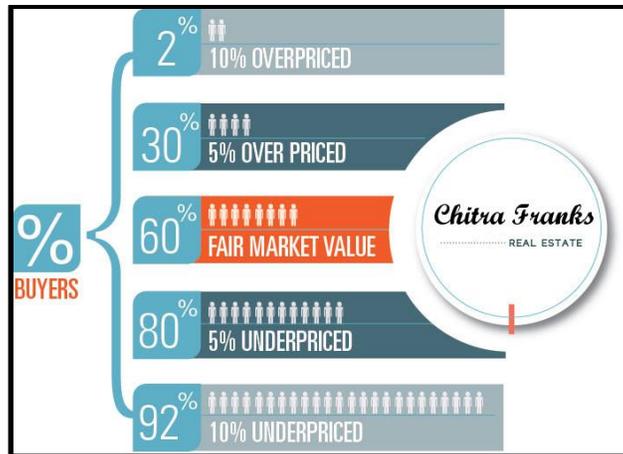
Having feelings about your home is a natural thing. Most people have some sort of emotional ties to the place they live. Unfortunately, selling a home is a business transaction. While feelings can be useful in business, they are not the ultimate deciding factor. The market is. If the market says that your house is worth a certain amount of money, it doesn't matter how strongly you feel otherwise.

Unless you find someone incredibly naive and with deep pockets – lenders always review the market value of a home before handing over money – the market will ultimately rule over the sale of your home. If other similar homes are selling for substantially less than your house is, you can expect to sell at a similar dollar amount. Expecting anything else is unrealistic.

I Need This Much For Negotiating Room

Perhaps the most common reason people overprice their home is because they're looking to negotiate.

Setting the listing price when you sell a home isn't an exact science. Many sellers have a number in their head of what they want to receive from the sale and correctly recognize that they may have to negotiate with a buyer. Naturally a seller is going to want to price the home a bit higher to give themselves room to negotiate. If you add in too much negotiation room, you'll be stuck waiting for offers that never materialize.



A Similar House Sold For “This” Much More

You may have heard from your neighbors that a house just like yours sold one neighborhood over for a certain amount of money. Well, why can't you sell yours for the same price? Except your real estate agent tells you that your house is worth less. Why? Your agent knows a lot about the current market, far more than you may realize. He or she has a wide network of information and other Realtors to draw on when deciding on the price of a house. This means that, even though your neighbor claims that the other house was just like yours, your agent may know that this is simply not the case. Whether it is the other neighborhood, different features or something else, if he or she says that your house is worth less than the reality is you need to go lower on your price.

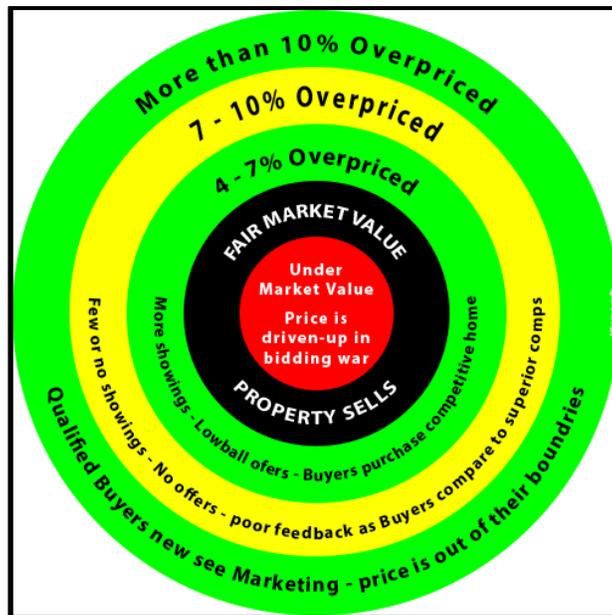
I Need a Certain Amount of Money

One of the tough things about having a loan out on a property – much like with an automobile – is that sometimes the amount you owe on the loan outstrips the actual value of your property. And no matter how much you want things to be different, you are still tied to the market when it comes time to sell. You may need a certain amount of

money to pay off your mortgage in full, more money than you can actually get on the house right now.

You have two options in front of you at this point. You can go forward with the sale and take the hit, or you can stay in the house and hope for better options later on. What you cannot do is expect buyers to sympathize with you enough to spend thousands of more dollars on your home. In the end they do not care about your financial situation. They want a good deal and will do everything they can to get one – even passing up your home for a less desirable option simply based on its more competitive price.

A buyer cares about one thing – paying what the home is worth not some delusional value based on someone’s unrealistic desires.



Zillow Says It's Worth This Much

Remember, Zillow's, Zestimate is a starting point and does not consider all the market intricacies that can determine the actual price a house will sell for.

As real estate agents, one of our most difficult tasks is pricing a home. That holds true whether we are representing a seller or a buyer. Market pressures change from week to week and from neighborhood to neighborhood. The motivation of the parties is always a factor, as is the condition of a home and those around it. No algorithm, however sophisticated, can quantify the value of a kitchen that was remodeled just before a home was put on the market or a yard that is poorly maintained. It simply isn't possible for any algorithm to predict the value of a home with a level of accuracy sufficient to make a housing decision.

Also, research shows that, on average, those "Zestimates" are anywhere from 5 to 8 percent off when it comes to the value of the home.

The Appraisal Trumps All

Unlike so many other types of sales, the real estate purchase has what we like to call "*the second sale*" – the **Appraisal**. In about 90% of real estate sales the home is being financed and must be appraised. There is a strong likelihood that the buyer who wants your home will be buying it with lender financing. The bank will never knowingly lend more money to the buyer than the home is worth. Therefore, the agreed-upon purchase price **MUST** be proven through a bank appraisal before the loan is approved.

So, you see, it doesn't matter what a seller thinks their home is worth. The home's worth is determined by:

- what a ready and able buyer is willing to pay, according to the present market, AND, most importantly,
- b) what the lender is willing to lend, according to the present market.



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