

Setting a realistic price actually



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INSIDE ADVICE

helps seller nail down a deal

In recent weeks, we have been looking at important parts of the home-selling equation. I have stated that the condition of your home must be good enough for prospective buyers to imagine living there and that your marketing effort must succeed in getting the word out to potential buyers, or they may never know your home exists.

But there is one final key that can make or break your home-selling effort — the asking price.

If you set it too low, you will sell instantly and always regret that you cheated yourself. If you set it too high, you risk wasting valuable time while buyers substitute other homes for your overpriced offering.

Another reason that your asking price is vitally important is that it speaks directly to the greatest fear of home buyers — the fear of paying too much.

Before we move ahead, I want to state my philosophy of home pricing. After personally participating in the sale of hundreds of houses in the metro area, I don't agree with most sellers. The typical home seller figures he should start with a higher price than he really wants, then have some room for negotiation so that everyone then feels they are getting a good deal. I disagree.

My experience has been that if I set my asking price at the lowest I am willing to accept, then I will get more serious prospects in the first place, and as a result I find that homes with no "wobble room" in the asking price sell faster and for more money in the long run.

I believe so strongly in the "one price" concept that I refuse to use the phrase "asking price" because I believe it invites prospects to make low offers. Instead, I invest the money to have the property appraised by a licensed appraiser, then use that appraisal as a marketing tool to justify my offering price.

Thus, instead of saying "asking price of \$250,000," I find I have better success by stating "Appraised at \$249,850" and supplying the potential buyer with a complete copy of the appraisal document for review.

Here are my reasons:

► Buyers are automatically suspicious of a seller's asking price. It is widely known that most sellers include room for negotiation and expect to sell for less than asking price. This is especially true in a softening market.

► Buyers today have much greater access to comparable sale information, both from

courthouse records and from multiple listing services. This type of detail makes values more transparent than ever and emboldens buyers to make their own estimates of fair market value.

► In contrast, lenders and buyers increasingly rely on state-licensed appraisers to determine what is and is not fair market value. Since the buyer's lender is going to have an appraisal performed anyway, I find it only makes sense to have the work done ahead of time and use that data to justify an offering price in the first place.

Taking this course of action allows the seller to make the following statement to prospects with complete honesty: "We didn't know how much the house was worth, so we decided to have it appraised. We didn't think it was fair to ask you to pay more than it is worth, and we've decided not to accept less."

This line of reasoning has many benefits:

► You can ask the potential buyer how the sellers of competing houses came up with their asking price. Did they offer him an appraisal or did they just make up a number? It's a valid question.

► You should make it clear that, even though you have already conducted an appraisal and a home inspection, you understand and encourage the buyer to have her own inspection and complete appraisal.

This adds credibility to your stated value.

► By eliminating price as an area of fear for the buyer, you can focus on features and benefits that appeal to the prospect.

The bottom line is this: I believe a seller is better off rejecting offers than getting no offers at all. If you include significant wiggle room in your asking price, you may very well discourage potential buyers from even looking at your home in the first place.

In contrast, a seller who aims to sell for appraised fair market value stands on a solid factual and ethical foundation when approaching the sales arena.

A written presale appraisal is likely to cost you \$350 but almost assures you of smooth sailing when it comes time for the buyer's lender to conduct its own appraisal. The definition of fair market value is that price a buyer is willing to pay and a seller is willing to accept for the house.

Once you make the new appraiser aware of the contract price and present him with a copy of the presale appraisal, it is unlikely that a significant difference will emerge.

Don't confuse a formal appraisal with a competitive market analysis from your real estate professional. While a CMA can be a useful tool in reviewing market activity, it lacks the authority of a Uniform Residential Appraisal Report from a licensed appraiser.

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