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Pricing Properly in a Soft Market

A difficult market calls for non-traditional approaches to getting your house

sold. Foremost among these is pricing.

In a strong market, sellers usually prefer to price comfortably above the expected sale price, in order to “leave room for negotiation.” When demand for houses is greater than the number of properties on the market, this strategy works just fine.

But in the opposite case – such as in the current market, where inventory far exceeds the number of buyers out looking – this is not the recipe for success. That’s because the psychology of buyers is very different in a soft market than in a strong one.

Soft market buyers are understandably cautious. They know they have the advantage in the supply vs. demand equation, so they’re looking for a good deal. More importantly, they’ve been spooked by unrelenting media reports of inevitably declining real estate values – even though we haven’t experienced that in Westport. So they’re afraid of buying before the market bottoms out. Or of paying too much.

Today’s buyers are exceptionally well educated, having looked at dozens of houses. They recognize value, which they don’t perceive when they look at properties that were priced to leave room for negotiation. So they watch. And they wait. But, mostly, they don’t act.

It’s always interesting, however, to observe these very same buyers change their tune when an exceptionally well-priced property comes on the market. Their mind set immediately morphs from “What do you think the owners would

take?” to “What do I have to do to lock this house up before someone else does?” Alas, it seems that today’s buyers can remain nonchalant only until they fear someone else will want the same house that they do.

The moral of this story is that, in a soft market, pricing at or close to your expected sale price – also known as “drama pricing” – is the surest way to get your house sold quickly and at the highest possible number. Most sellers consider this a gutsy strategy. It’s certainly one that requires a high level of confidence in your listing agent. To many sellers, it’s counterintuitive because they expect buyers to lowball them no matter how irresistibly the asking price is set. But that’s not what usually happens.

The rewards of this approach are many:

- *Most irresistibly-priced properties literally fly off the market, often with more than one buyer bidding on them.* And when more than one buyer wants a house, the price is usually firm and sometimes gets bid up even higher. Yes, this happens frequently, even in soft markets.
- *Pricing irresistibly maximizes the impact of the “newness” factor* – those first two weeks on the market during which interest in your property is greatest.
- *It creates excitement and a sense of urgency and competition around your property:* I see this phenomenon all the time when properties that were previously overpriced hit the magic number that represents an irresistible list price. Sellers are always astounded when, after months of sitting with no activity, their suddenly well-priced house receives so much attention and is being fought over.
- *Pricing this way gets the job done,* rather than having your house sit for months while the price is adjusted in small increments.

Most importantly, drama pricing restores control to the seller in what everyone agrees is a buyer’s market. It’s one of just a very few factors these days that can level the playing field and allow the free market economy to work in your favor.

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