

# But I Think My Home Is Worth Much More!

Tips on  
getting sellers  
to select the  
right price



By Marcie  
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Properly priced, any property will sell in any market. But how can REALTORS® and home sellers figure out what the proper price for a property is? • The answer is both science and art, says Kris Berg, broker/owner of San Diego Castles Realty in San Diego. • The science is about the prices of comparable properties, or “comps,” that were recently sold or are currently on the market. The art is about the strategy that’s used to try to get the highest possible price for the seller. • That doesn’t necessarily mean “slapping the highest price you can” on the home when it’s listed, Berg says. Rather, she advocates pricing as close as possible to the perceived current market value to encourage multiple buyers to step up with offers. • “The holy grail is having more than one offer,” she says. “That not only lets you pick the strongest buyer, it also puts you in a position where the price tends to float up because if one buyer likes a house and five others also like it, suddenly that [first] buyer likes it a little more.”

## Risks of Over - pricing

A too-high price can be risky. Make this mistake, and the home could be overlooked by buyers, resulting in fewer showings and fewer offers, only one offer or, in the worst case, no offers at all. That leads, in the end, to a lower sales price, brokers say.

There are “real dangers” to over-pricing, says Keith Robinson, chief operating officer at Better Homes and Gardens Real Estate—Mason McDuffie in Pleasanton.

“You never get a second chance to make a first impression, and when buyers see a property has been on the market for a while, the first thing they think is: What’s wrong with that house?” he says.

That negative impression means the house might be on the market longer than it would have been if it had been priced realistically. A longer time on the market, says Berg, is “death” to getting a higher price because rather than compete with one another, buyers will show up to negotiate with the seller.

REALTORS® can help sellers understand why their home might not fetch the price they want or feel they “need” by putting them in the buyer’s shoes, figuratively speaking.

“The question [to ask sellers] is: ‘Do you think buyers are going to pay what you need or what they think [your home] is worth? And when you’re buying, are you going to pay what you think that home is worth or what that seller needs?’” Robinson says.

## Appraisal Trumps Pricing

Another risk of over-pricing is that even if a willing and able buyer can be found, the sale might get snarled up by the appraisal if the buyer needs bank financing to close.

That’s a “serious, serious concern,” especially in higher-priced market segments that generally have comparatively fewer buyers, say Steve Ostrom, a REALTOR® at Coldwell Banker Sun Ridge Real Estate in Roseville.

Rising home values have reduced the incidence of problematic appraisals, yet the issue hasn’t gone away. One reason, Ostrom says, is that some short sales are significantly underpriced and some recent-looking short-sale comps were actually negotiated months earlier and took an age to close.

To ward off appraisal woes, Ostrom says he meets the appraiser in person at the property, so he can point out short sales in the data and present comps he believes support the purchase price.

## Sold or Active Comps

The appraiser’s use of sold comps to determine value is one reason why some agents, Berg among them, weigh

closed sales more heavily than active listings in pricing a seller’s home.

Still, some markets are so hot that sellers can price aggressively while knowing the risk of an appraisal showdown if the buyer needs financing.

Leila Harrington, CEO of Mission Country Properties in Paso Robles, says sold comps are important, but active listings are the direct competition for the seller’s home.

“We know prices are going up, so how are we going to price compared with similar homes that are for sale? That’s the way I and a lot of people are going about it,” she says.

Still, there are limits, so Harrington also says it’s important to make sure sellers are “very aware” that the appraiser’s valuation might be less than they expect or want and the buyer is willing to pay.

## Who Sets the Price?

The proverbial jury might never deliver a verdict as to whether REALTORS® should accept a listing the seller wants to over-price.

Ostrom says he won’t pressure sellers to set a price he feels is optimum, though he does make an effort to prove his point, putting sellers in his car and taking them to see for-sale properties comparable to their own. If their asking price still isn’t within the realm of possibility, he says he’ll take their direction, though with a proviso that the price will be reduced if they haven’t accepted an offer within a few weeks.

“We don’t dictate where we think the price should be,” he says. “The sellers are in charge and whatever price they want, we will try. There’s nothing worse than putting a price you say and the property sells the first day and the sellers think they should have listed it higher.”

And, sometimes, sellers do get the seemingly crazy-high price they want.

“It’s happening all the time,” Ostrom says. “The buyers lost out on 10 offers, and they are tired of making offers. Cash buyers are going way over [the asking price] just to get the property.”

Robinson says agents “don’t have to work with a seller who’s unrealistic on price.” It can be smarter to walk away and focus on other opportunities.

A middle ground is to pre-negotiate a specific price reduction that will take effect at a pre-set time if the home doesn’t sell at the price the seller wants.

“Have a price reduction built into the listing agreement so you don’t have to go back and reprice,” Robinson says. “Get that in the



first two to three weeks, so you’ll still have an opportunity to take advantage of the newness of the property being on the market.”

## Risks of Under - pricing

Some sellers openly declare their desire for a “bidding war” or “feeding frenzy,” though they might not articulate the notion of deliberately under-pricing their home, Robinson says.

One risk of under-pricing is that it can generate resentment as dozens of buyers and the agents who submitted their offers are naturally disappointed. Sellers understandably might not mind, but the fallout for the REALTOR® can be negative.

“Can you list too low?” Robinson asks. “The market is pretty fluid, and you will get to the right number. The challenge is that if you have 50 offers, you’ll have 49 losers. That’s not necessarily the best experience for the buyers or your peers and colleagues.”

That said, though, Robinson adds a footnote: “If I had to pick, I’d much rather list a little too low than list a little too high.” ♦

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