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This Article

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8 ways agents avoid overpriced listings

Make sellers realize when they're being unrealistic

BY **BERNICE ROSS**

You did the comps, the property was priced right when you listed it, but no one is buying. It's now six months later, prices have declined even more, and your listing is now overpriced. What could you have done to avoid being in this predicament in the first place?

No matter how good you are at pricing, there are times when you'll get stuck with an overpriced listing. The best way to avoid having an overpriced listing is to take proactive steps at the time you sign the listing agreement.

1. **Executive review**

This strategy works well at the time you list the property or any time during the listing period. During an executive review, your manager and a team of three or four other agents visits the property before it officially goes on the market. Each member of the executive review team provides a written evaluation of the property including strengths, weaknesses, as well as anticipated selling price. This written feedback is then given to the listing agent to assist the seller in correctly pricing the property.

If you need to reduce the initial listing price after a month or two on the market, have the executive review team return to discuss what the current price should be given current market conditions. The listing agent says nothing until the team leaves. In the majority of cases the sellers will relent and reduce the price. Some occasionally become angry. Using this strategy allows the listing agent to smooth over the situation since he or she is not the one who suggested lowering the price.

2. **Odds of selling**

Even in a heated seller's market, it's rare for more than 25 percent of the houses to sell in any given month. What this means is that 75 percent of the listings won't sell during that month. In today's market, some price ranges may have as much as 60 months of inventory. That means less than 2 percent of the listings will sell in any given month and 98 percent won't sell. When the sellers realize how low the probability is that they will sell in any one month, they will be more likely to realistically price their home.

3. **Ten showings or 200 page views**

If you can't persuade the sellers to be realistic when you take the listing, ask them to agree to reduce the price when you have had 10 showings or 200 page views of their listing with no offers. Have them sign the price reductions at the same time that you take the listing.

4. **Post-showing buyer-feedback survey**

Post-showing surveys provide immediate feedback from both agents and buyers as to the price, the amenities, and how the property compares to competing properties. If buyers consistently point out that the price is too high, it's much harder for the sellers to deny that they are overpriced.

5. **Use a price-per-square-foot comparable market analysis (CMA)**

Most sellers are prepared to defend a specific list price number. They are not normally prepared to deal with a price-per-square foot analysis. For example, assume that you have a 2,000-square-foot house and the highest closed sale for the area is $105 per square foot. The sellers want to list at $225,000. To use this approach, explain that no house has sold for more than $105 per square foot. Consequently, it is highly unlikely that the bank will approve a loan based upon anything higher than a purchase price of $105 per square foot.

6. **Avoid chasing the market down**

When property values are declining, reducing the price to the current market value is not sufficient. Instead, you must be slightly below market value to sell the property. To persuade the sellers about the wisdom of this approach, show them how much they lose each month they hold their property.

To illustrate this point, assume that a seller's home is decreasing in value by $1,000 per month. On top of that, the seller will also have monthly expenses associated with homeownership.

If the seller has a new $250,000 mortgage at 6 percent interest, most of the monthly payment on the loan will be applied to interest rather than loan principal. On top of $1,925 in monthly principal, interest, taxes and insurance (PITI) payments, assume the seller has $250 a month in maintenance costs, or a total of $2,175 in monthly expenses.

Although the seller can deduct $604 per month for recoverable expenses ($256 in principal payments, plus $348 for the mortgage interest deduction in the 28 percent tax bracket), the actual cost to the seller of not being correctly priced is $2,571 per month ($1,000 in depreciation plus $1,571 in nonrecoverable monthly expenses).

To sell in today's tough market, owners must be willing to lead the pack on price reductions. This allows them to sell quickly. The result is that they actually net more than if they stayed on the market and had to repeatedly lower their price.

7. **Obtain price reductions when you receive an offer**

A tried-and-true strategy is to obtain a price reduction whenever the seller writes a counteroffer at less than asking price. This puts additional pressure on the buyers to act. Also, many sellers become discouraged when they receive an especially low offer. Instead of becoming discouraged, tell them to feel good about generating an offer in this market.

8. **Be willing to walk away**

Sometimes nothing you can say can persuade a seller to be realistic about their asking price. If the sellers are stuck on a price that won't sell, be willing to walk away from the listing appointment or to release them from the listing. Oftentimes the shock of having an agent walk away from the listing is enough to persuade the seller to be realistic.

Bernice Ross, CEO of RealEstateCoach.com, is a national speaker, trainer and author of the NAR #1 Best Seller, "Real Estate Dough: Your Recipe for Real Estate Success." Hear Bernice's five-minute daily real estate show, just named "new and notable" by iTunes, at www.RealEstateCoachRadio.com. You can contact her at Bernice@RealEstateCoach.com or @BRoss on Twitter.