



## The High Costs of Overpricing

In the heated real estate market of several years ago, it was common to list your property between 10 and 15% percent more than the expected sale price. This permitted room for your broker to negotiate with the buyer, there were many more around then.

If you adopt this approach today, you'd be lucky to receive any offers. Recently, listings that were priced at or under market value received offers, sometimes multiple offers. Over-priced listings sit on the market unsold. They become "stale"

One risk of pricing too high for the market is that you won't receive offers. Sellers often find this hard to believe. Why won't buyers just make an offer if they think a listing is priced too high? The answer is two-fold. First of all, if a listing is priced too high in a market where well-priced listings are selling, this may indicate that the seller has unrealistic expectations. Making an offer involves a big emotional commitment and it takes a lot of time. Most buyers don't want to waste their time offering on a listing that's over-priced for the market, particularly when there are other listings to choose from.

Secondly, even though buyers might prefer to buy without competition, the fact that a listing is popular is a stamp of approval. A property that is in high-demand is one that is likely to have good resale value.

Another risk of over-pricing is that you could end up in downward price spiral. Here's how this can happen: You bring your property on the market listed at a price that you're sure is right, After all, your business is better--in your estimation--than anything else on the market. Your broker cautions against this, but you're intent on getting your price. After a month or two, you aren't even getting a nibble from an interested buyer. Even so, other listings similar to yours are coming on the market and selling. In fact, agents are probably using your over-priced listing to help them sell the well-priced listings that come on the market.

The longer your business stays on the market unsold, the bigger the risk that it will develop a negative stigma. It becomes state, and the white elephant on the market. Buyers wonder if there's something wrong with the property. In most cases, the only thing wrong is the price.

So, you reluctantly agree to lower the price. Your efforts could be fruitless if you reduce too little, too late. Meanwhile, more well-priced listings come on the market and sell.

In a soft market, as it is in many areas around the country, you might have to make further price reductions. Buyers tend to gravitate to the newer listings, not the ones that have been on the market for months. You'll then have to offer a cut-rate price to be competitive.

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