



## Overpricing a Home

It has been said that the most important part of marketing a home is setting the right price.

How to know if your home is Overpriced!

### What is overpricing?

Overpricing is the act of setting a higher price than the value of a product or services. From an entrepreneurial standpoint, overpricing means setting a price that's higher than what the market is willing to pay.

### How you selected your Realtor.

You interviewed three Realtors to give you the market value of your home. None of them told you what you wanted to hear so you continued to conduct interviews until you found that Realtor who was just so agreeable, they were an amazing realtor in your eyes.

### How you set your Price Point.

You figured out your asking price by calculating what you paid for the home even though the market has dropped since you purchased it. During this time, you have failed to follow the real estate market to realize that the market isn't what it was just 6 months or 1 year ago.

or

After calculating what you paid for the home, you went on to figure out all the awesome improvements you have made to the home including the new pool, septic, and roof. All nice improvements and two of them a must but money spent doesn't always mean that the home when sold recovers the cost of improvement.

Also, maybe your emotionally invested in the property such as a family homestead or you had designed and built to your needs and wants and have an expectation that others will have those same wants.

### Signs that your home is Overpriced.

Homes currently on the market, the first 30 days will provide more than adequate feedback on your home's pricing.

- Home that is underpriced ... tough to get a showing scheduled as the buyers and realtors are lined up to view the property
- Home that is priced right ... lots of interest and lots of showings booked right away.
- Home that is overpriced ... very few showings booked or a couple the first few days it is listed and then maybe a showing a week or nothing.

Your home has been on the market for 359 days and counting.

Your home has a couple of showings a month but a similar home down the street has had a parade of people having a look at it. The feedback you have been getting is that your home is overpriced by you conclude that people are lying just to get a deal. Note: realtors are showing your home just to show what a deal the house down the street is for their buyers.

Five other homes like yours have sold in the neighbourhood over the last year.

You start asking your realtor to put a full page spread in the Toronto Sun about your home, crying that it must be the realtor's marketing that is not getting the job done. In fact you also want round the clock display advertising in all the local papers. Putting it out there on the internet is doing a good enough job.

### What happens when a home is Overpriced.

When selling your home, first impressions matter because new listings generate the most interest. An overpriced home can create a bad first impression even before buyer check out the property. Bad first impressions will result in a lack of interest and offers on your home.

Everyday a property sits on the market makes it less valuable in the minds of the buyers, and today's buyers are completely value driven. The older the listing is, the less the appeal it has. Most buyers will start wondering what's wrong with the property. Could it have a major flaw that will cost a lot to repair? Is there something wrong with the neighbourhood? Or perhaps the seller is stubborn about dropping the price?

Some considerations for Sellers when selling a price

Buyers determine the right price for a property, not the Sellers.

The market price for a property is determined by what an able and willing buyer ultimately pays for it.

The longer a house is on the market, the more it will cost you time and money. Even if you renovated before listing, living on site as you wait for potential buyers will cause signs of wear and tear, you'll need to touch up on. If you've decluttered your home and you're using a storage unit, that's another monthly cost added. Keeping your house tidy and staged for viewings will also take up your time.

There are certainly things that homeowners can do to influence buyers' perceptions of their home's value and hence increase the price buyers are willing to pay for it. But ultimately, the buyers will set the price.

One of the biggest reason buyers don't make offers on overpriced homes is because they don't want to offend the sellers. It goes against human nature to offer substantially less than asking price. It can be insulting to the seller and embarrassing for the buyer. Buyers also erroneously believe sellers know when their homes are overpriced, and if they were willing to sell for less, they simply would lower their prices.

The reality of the situation. Most buyers today have little patience for making low-ball offers on overpriced properties. They will wait until the seller lowers the price to the level, they believe it is worth, before making an offer.

**What happens if you do sell an overpriced property?**

Appraisal problems – if you are lucky enough to find an emotional buyer (one that doesn't mind the inflated price) 90% of the time buyers will use financing to pay

for their home purchase. If the property does not appraise for the purchase price the deal will die due to the buyer unable to obtain a mortgage. Plus – you will have wasted a lot of time, energy and emotions on a fail transactions.

Overpricing helps sell the property down the street as the price point for the other property seem like a bargain.

### Conclusion

The first days of a new listing are the property's best shot at attracting its highest offer. Buyers and real estate agents rush to see a properly priced property and are ready to place an offer if the house is right for them. Don't waste this opportunity, Price it properly and you may not need to negotiate.

Be realistic, price your home in line with similar properties that have sold in the neighbourhood, monitor feedback and then adjusting as required (pricing, staging or repairs) will position you to receive the highest return on your home.

