



WIN-LOSE Transaction-overprice and undersell

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In a rising market, vendors can over price with minimal risks in doing so.

However, in a stable or falling market, over pricing often leads to underselling.

The opposite is also true, if you price at market price, you increase the chances of selling above market price – even if the market is falling or flat. Vendors who list above market price often languish on the market unsold and inadvertently turn the best buyers off their home.

The vendors have unintentionally set up a win/lose negotiation. I will only sell if the buyer overpays. Naturally, many buyers reject this equation. Many home buyers are reluctant to step forward on a home that has gone stale in the eyes of the market.

“ If you price at the current market price, you increase the chances of selling above market price. ”

Pre-internet, the vendor that deliberately overpriced and waited for someone to ‘pay my price’ had fewer downside risks in doing so. In the digital age, the advertised history is now on record for all time.

Every property has a digital footprint. Buyers can easily access the advertised history of properties. If your home is overpriced and unsold after a lengthy sales campaign, the educated buyers have been gifted crucial information in the negotiation process.

The auction system does not offer vendors protection from a failed campaign either, given the true auction clearance rates have recently plummeted to below 50% (below 40% in Auckland) in the first quarter of 2022. In 2020-21 when the market was rising rapidly, the true auction clearance rate was consistently up above 80- 85%.

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There is no sales method that provides vendors with a magic bullet. Understanding the current market value of your property is the key to a timely sale at the best possible price.

Understanding the current market price of your property is simple in theory but challenging in practice. Putting a market value on something that is emotionally precious to you is difficult.

The ultimate benefit in understanding fair market value ensures that you don't reject the best buyer/offer.

Establishing Fair Market Value

During the agent interview process, whenever an agent suggests a price for your home, insist the agent demonstrates the sales evidence they used in determining the price of your home. Ask yourself, does their logic stack up? Is their thinking likely to be accepted by genuine buyers in the marketplace?

Independent valuers are excellent alternatives to establishing unbiased yet educated sources as to the fair market value.

Once you have established fair market price for your home, you need to ask whether that is an acceptable price to you. If it's not, you may be best not listing on the market at all. A failed campaign can haunt you in the future.

If the current market price is one that allows you to comfortably move on you can then list on the market for the highest offer at or above fair market price.

Fair market price often creates buyer competition. Sellers want to negotiate but buyers want to buy. The best way to attract the best buyers is to price accurately and fairly. This maximises the number of bidders for your home ensuring a win for you. Buyers are more accepting of genuine buyer competition than they are of a vendor who is blatantly trying to 'beat the market'.

The ultimate benefit in understanding fair market value ensures that you don't reject the best buyer/offer.