SECONDARY MARKETING STRATEGIES and "FAT" FOR NEGOTIATION

The **(maybe) top dollar approach** to a marketing strategy is right for very few sellers and will be discussed mainly to define it so that it can be avoided. It **attempts** to maximize price at the expense of time.

To accomplish this approach, you again start with the expected contract price and then add 10% or 15% to determine the initial asking price. Set your last asking price at about 10% lower than the expected contract price. Next, divide the difference between the higher and lower prices into steps equal to about 5% of the expected contract price. Finally, schedule these price steps evenly throughout the marketing period available, or the maximum acceptable time for your home to be on the market. The following is an example for a home with an expected contract price of $500,000 and six months available for marketing it:

- March 1, $550,000 (initial asking price)
- April 1, reduce the price to $525,000
- May 1, reduce the price to $500,000
- June 1, reduce the price to $480,000
- July 1, reduce the price to $460,000.

Your prices and times will no doubt be different.

The top dollar approach seems logical enough and certainly will sell your home if the plan is followed. If you consider this approach, keep a few things in mind. The cost of keeping most homes can approach 1% of the market value per month, or $5,000 monthly in the example above. If your home will be vacant, you could lose $30,000 in six months. Remember, it will be a month or two from contract to closing.

In times of rising market prices, this approach has slightly greater appeal. If the price happens to be a bit high, market appreciation overtakes the error and the home sells in a few extra months. In a stable market it is questionable whether this approach will mean extra dollars. In a market of falling prices, it can be a disaster: If your reductions do not overtake the falling market, you will sell *much* later at a *much* lower price as you "follow the market down" never at quite a low enough price to sell until desperation shocks you into reality.

The **quick sale approach** also is not suitable for many sellers. It minimizes the time on the market at the probable cost of several thousand dollars. But if you need to sell quickly, you will be the first to see that this approach is for you. Your home will enter the market at an asking price about 2% to 5% lower than the expected contract price and it should sell quickly.

Be very firm when negotiating. If you counteroffer, supply the selling agent who brings the offer with data to support your price: Your market value analysis, an appraisal, or comparable sales. Address this information to the prospective buyer, via the agent. Above all, be calm, reasonable, and firm. Do not appear anxious. If your buyer gets the idea you are in trouble, you indeed will be in trouble. If the negotiations are conducted properly, the buyer will agree reluctantly from the data presented, as well as from his or her own knowledge of the alternative properties available, that your home at your price is the best option.

The quick sale approach maximizes your chance for multiple concurrent offers. If negotiations take a couple of days, your chances improve. If your listing agent can develop a second offer, you could end up with your full price or more without having to make any concessions, such as paying points for the buyer's new loan or giving any other "seller credits."

If you are in a tight spot (for example, in default) with your mortgage holders, advise them of your plan to sell. Some mortgage companies can be of significant help. They do not want to add your home to their inventory of homes for sale.

You now have three well-defined marketing strategies from which to make a selection (the classic approach was discussed in an earlier article). A few additional considerations will be very helpful. But first, it bears repeating that if a home's price is too high for the current market, there will be few visitors to it and no offers.

Even if your overpriced home **is** shown occasionally, it will receive no offers. Any buyer who sees 20 homes in a certain price range will be able to **easily** reject, as a comparatively poor value, any home that is priced 10% or more over its fair market value. Because many other homes are priced right, your home also needs to be priced correctly in order to compete. Worse yet, an overpriced home will be shown to the wrong group of buyers; those who can afford more. These buyers will buy a home of greater value in which to live, rather than accept your somewhat lesser home even if it might be obtained at a discount.

Sellers whose prices have too much "room for negotiating" invariably end up with no offers to negotiate. One study showed that that if a home is overpriced by 15% initially, time on the market can easily be 300 days. Although this data was developed in a slow market with stable prices, it serves to illustrate an axiom: The higher the price, the longer the time on the market! In addition, overpriced homes often must be reduced before they sell, so time and money are lost for no gain at all. To repeat, overpriced homes are not shown to the right group of buyers. They languish on the market because they are competing with the wrong set of homes: Those of greater value.

Here's a compelling thought: If the average home's selling price is, for example, 95% of its asking price, then the average home does not receive a viable offer until its asking price is within about 5% of its actual market value. This fact reinforces the critical importance of having only a small margin of "fat" in the asking price for leeway in negotiation.

No matter what strategy you employ or at what stage you find yourself, if a price reduction is needed, it usually should be greater than 5%. A reduction smaller than 5% is not significant to the market. It is a waste of time and effort to even imagine that it will make a difference. On the other hand, reductions greater than 10% generally should be avoided. There is a risk that an entire range of buyers could be bypassed completely, never learning of your good value. In any event, get the price right, and your home will sell.

This series is excerpted from David Rathgeber's $ELLING YOUR HOME in the Washington, DC Metropolitan Area

Read David's $ELLING YOUR HOME... book, free online at www.davidr.net