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Pricing your home gets trickier

[Volume 11, Issue](#)

ORLANDO, Fla. -- Sept. 29, 2006 -- As the housing market cools, one of the hardest decisions facing home sellers is how to price their properties.

**Housing Ma
Indicato**

Traditionally, brokers have set listing prices by reviewing how much comparable homes sold for in a neighborhood. Now, with prices edging lower in many places and the number of homes on the market climbing, checking comparable sales is becoming less useful. At the same time, many would-be buyers are sitting on the sidelines, waiting to see how far prices will fall. Bigger inventories of unsold homes also are making it harder for sellers to figure out how to make their house stand out amid the competition.

Florida existing sales:

[-34%](#)

Florida existing condo sales:

[-41%](#)

Florida existing median price:

[\\$248,800](#)

Florida existing condo median

[\\$210,300](#)

Florida consumer confidence:

[82](#)

30-year fixed mortgage:

[6.31%](#)

National existing home sales:

[-0.5%](#)

National existing home median

[\\$225,700](#)

Pending home index

[110.1](#)

National consumer confidence:

[104.5](#)

National new home sales:

What it takes to sell a house varies from market to market. Some brokers are telling customers they need to underprice the competition -- even if they think their home is more attractive. Sharon Baum, a senior vice president with the Corcoran Group in New York, recently listed a two-bedroom, two-bathroom apartment for \$3.7 million. That was \$100,000 less than the asking price for a similar unit five floors below, even though apartments on higher floors typically carry bigger price tags. "As buyers have more choices, you've got to make your apartment stand out," she says.

Sellers are also being told to cut prices aggressively if their house isn't moving -- or risk chasing the market downward. If a home doesn't get any showings in 21 days or gets 10 showings but no offers, Ned Redpath, president and owner of Coldwell Banker Redpath & Co. in Hanover, N.H., often advises the seller to slice the asking price by 10 percent. "We don't like to see \$2,000 or \$5,000 price adjustments," he says. "We want to see a real whack" that attracts attention.

Builders of new homes also are tinkering with their pricing formulas to generate sales. Mid-Atlantic Builders in Rockville, Md. is offering to adjust the sales price downward up to 45 days before closing if the price on one of its similar homes declines. Waterford Development Corp. will have homes in its Woodland Pond at Manchester development in New Hampshire reappraised two years after closing. If the price drops, the company says it will write the buyer a check for up to 15 percent of the original sales price, not including the value of any optional upgrades.

Even in relatively strong markets, brokers are paying closer attention to price trends. Wallace Perry, president of Coldwell

Banker United, Realtors, Carolinas region, says he has begun checking multiple-listing service data every week or two instead of once a quarter to see how recent sales compare with deals that closed three and six months ago. "Things can change ... very quickly," he says.

[+4.1%](#)

National new home median price
[\\$237,000](#)

The renewed emphasis on pricing represents a dramatic turnabout from the heady days of the housing boom, which peaked in the middle of last year. Bidding wars were common and, in many markets, homeowners simply looked at the last sale and asked for more.

Letters to Editor

That's all changed. The National Association of Realtors said this week that the median sales price of existing, or previously owned, homes fell 1.7 percent to \$225,000 in August from a year earlier, the first such drop in 11 years. There's now a 7.5-month supply of existing homes on the market, the most since April 1993.

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With so many properties vying for attention, sellers are also looking for creative ways to catch the eye of would-be buyers and their brokers. Some sellers are offering to pay closing costs or provide other incentives. When their 3,500-square-foot carriage house in Exton, Pa., failed to sell this spring, the owners dropped the asking price twice, to \$449,000 from \$479,000, says Beth Koser, an agent with Prudential Fox & Roach, Realtors. When that didn't do the trick, the couple agreed to offer \$10,000 toward closing costs to any buyer or agent who attended an open house within a two-day period. The home sold a few weeks later for \$430,000. "The incentive created a sense of urgency," says Ms. Koser. Buyers "saw that the seller was willing to negotiate."

Other brokers are using incentives to counter competition from new home builders. In Tampa Bay, Fla., Craig Beggins, president of Century 21 Beggins Enterprises, recently put together a list of 16 incentives homeowners can offer, from paying the mortgage for several months, to outfitting a media room with a big-screen TV, to picking up the cost of day care for some period.

Another approach is a personal plea. Traci Smith, president of Century 21 Smith & Associates in San Antonio, encourages clients to court prospective buyers with a letter explaining the intangibles that make their home and neighborhood so appealing, such as the fact that the kids on the block trick-or-treat at Halloween together. During the height of the housing boom, some brokers were encouraging the same type of personal notes -- but from buyers eager to get their bid accepted.

Some brokers are trying to trigger bidding wars by setting an asking price sure to attract attention. Romeo Aurelio Jr., sales manager for Century 21 Hartford Properties, recently listed a small one-bedroom, one-bath fixer-upper in San Francisco's fashionable Noe Valley neighborhood for \$650,000, even though he figured the home would sell for \$100,000 above that. "If we priced it at \$750,000, it was going to sit," Mr. Aurelio explains. "We marketed it aggressively at \$650,000 and it generated 20 offers." The house sold this week for \$845,000.

And with more buyers hunting houses online, selling strategies are adapting to the new technology. Michael Gallagher, a financial-services executive, initially listed his four-bedroom house in Shawnee, Kan., at \$274,500. When the listing expired, Mr. Gallagher's new broker suggested that he boost the price to \$275,000. Within weeks, the home sold for \$271,000, \$36,000 more than the best previous offer.

The explanation? Buyers who use the Internet typically search in increments of \$5,000 or \$25,000, says Kerwin Holloway, a managing broker with Reece & Nichols, a unit of Berkshire Hathaway Inc., which handled the sale. At the higher price, Mr. Gallagher's home was likely to turn up in more searches. It also looked like a bargain to someone whose search started at \$275,000. At the lower price, it was one of the most expensive homes priced between \$250,000 and \$275,000. Until recently, brokers had taken their cues from retailers, pricing a home at \$199,500 because it seemed like a better deal than one priced at \$200,000.

A property that's not priced properly can languish on the market and get shopworn, says Dan Elsea, president of brokerage services at Real Estate One in the Detroit area. A four-bedroom house in Troy, Mich., has been sitting on the market for 10 months, even though the price has been cut to \$349,900 from \$394,900, Mr. Elsea says. By contrast, a similar home in the same market sold this month for \$360,000, just 23 days after it came to market priced more appropriately at \$369,000, he says.



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