



## Real Estate Reality: It's Not Easy to Be a Seller in Today's Market.

By Debbie Yost, CLHMS, CRS, GRI, CPC

It's hard to compare the market value of your home today to the market value of just a few years ago. It's even harder if you bought your home in the past few years and owe more than its current market value. If you must sell you have more competition than ever and your pricing strategy is more critical than ever before. Yes, market activity is increasing and there are more buyers shopping now than in the past year, but prices aren't increasing in Casa Grande YET. If you MUST sell now here is some information about what you will face as a seller in the current market.

Your home will be competing against homes owned by builders to attract a possible buyer. They may have an advantage in areas such as showing condition, pricing, terms, and warranties and private owners must find a way to compete favorably. Builders have large decorating budgets and can showcase their models in ways that are difficult for an individual owner who is living in their home while showing it. Many builders have been offering huge price discounts that are far below what previous buyers may have paid in the same subdivision. It's difficult to sell the same floor plan for tens of thousands of dollars more than the brand new one. The new home has that "brand new" appeal and the perception that new home warranties exceed what the private owner can offer. In addition, some builders have been offering agents a larger brokerage fee or commission bonus to bring clients to their models. At a time when many sellers want to reduce the brokerage fee offered in order to minimize their selling costs, they must compete with the builders' product – clean, pretty, professionally decorated models, warranties, no inspection issues and possibly a bigger paycheck to the agent.

If you are competing with bank owned properties (foreclosures) in your neighborhood, be prepared for low listing prices. Banks understand that the best way to get the highest price for their properties is to have multiple buyers competing for the same property. Many are pricing very aggressively, knowing that buyers will outbid each other if the property is perceived as a bargain. Multiple buyers prepare offers for the bank's consideration and the response period can range from a few days to a few weeks. Buyers who are competing for the same great deal find that they may need to offer a price exceeding the list price in order to buy the property. A recent analysis of data from the AZ Regional MLS shows that 44% of the Casa Grande homes sales closed in the last 45 days (between June 1st and July 15th, 2008) sold at list price or higher! Keep in mind that the highest sales price of these 50 sales was \$239,900 and that many of the over list price sales included a provision whereby the seller paid all or part of the buyer's closing costs.

Another way to describe this aggressive pricing strategy is by imagining you are going fishing. If you were to use a "fish finder" electronic device to locate a school of fish and were going to drop your bait in the water in order to catch one, you would place your bait right in the middle of the schooling fish. There would be a surge of fish fighting for the bait and you'd catch one. If you placed your bait above the school of fish, you may not catch your fish. If you price your home too high, hoping for some negotiating room, your home

will wind up sitting on the market with very little activity, and eventually you will either take your home off the market or wind up accepting a price much less than you would have by pricing it aggressively to begin with. Statistics from the ARMLS continue to demonstrate this fact. In June, 47.46% of the new listings in Casa Grande had accepted offers, compared with only 16.83% of the rest of the listing inventory. Pricing is always critical.

Sellers who have priced their homes correctly and are lucky enough to receive an offer may be shocked by the terms of the offer. In contrast to a few years ago when sellers had all the bargaining power, now buyers are in control. Many are asking for a "seller contribution" of 3 to 6% of the sales price, in order to cover all their financing and closing costs. This is a fairly typical request by buyers today. Please don't be offended by the request and reject the offer. There are plenty of sellers who will pay the buyer's closing costs in order to sell.

Once the negotiating is finished and the buyer and seller have come to agreement on the price and terms of the sale, the home inspector will likely find items that aren't quite perfect in your home. Again, contrary to the seller's market of a few years ago, you will probably find yourself reluctantly agreeing to repair items in order to sell the home.

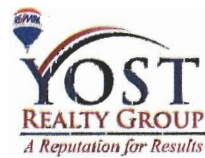
Phew! After the inspection negotiation is completed you might be breathing easier, but then the sales price must be validated by an appraiser who must use the most recent comparable sales data from your neighborhood. If the appraisal comes in lower than the sales price, the buyer probably has neither the desire nor the money to pay a higher price than the appraised value. At this point you may be tempted to cancel the whole sale and find another buyer, but that may be counterproductive. Appraisers are being more tightly regulated than in the past and must report those recent low priced foreclosure sales in your neighborhood as comparable sales. Until higher priced comparable sales are closed in your neighborhood, your appraised value will not increase.

Homes are selling because they are affordable to the average home-buyer once again. Intelligent buyers are doing their research. The majority of buyers begin their home search on the internet and they select homes to physically inspect by reviewing the photos, features and pricing on homes on line. Twenty-five "virtual showings" should bring one physical showing. If a home is receiving great internet traffic but few physical showings the market is rejecting the property. If you choose to sell in this market, now more than ever, it's critical to frequently review both the physical and virtual showing activity and to understand how competing listings and recent neighborhood sales impact your home's market value.

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