



Real Estate Reality...

It's a **PRICE WAR** and a *Beauty Contest!*

-Debbie Yost, CLHMS, CLS, GRI

Selling in today's market? If so, be prepared to compete in a price war and a beauty contest. Your home is competing against all the other listings in your price range, including all the privately owned homes as well as new construction. You are competing with builders who have more tools at their disposal, including incentives for financing and optional features. If you purchased a new home in a neighborhood where the builder is still building, they are probably offering the same home at a base price lower than you paid in the past few years. If you don't have a real need to sell today this isn't the time to test the market.

Sounds grim, doesn't it? Not necessarily. If your life plans dictate that now is the time to sell, with a realistic selling strategy you can be successful. Arizona home prices increased by an average of 85.77% over the past five years compared to the average price increase of 46.92% for the US, according to new figures from the Office of Federal Housing Enterprise Oversight. If you purchased more than three years ago you probably have gained some equity and may want to take advantage of the opportunity to purchase another home at a lower price. Yes, you can wait for the market to cycle back upwards again, and the replacement home will also be priced higher at that time.

In my twenty five plus years of experience in the real estate market I've found that there are generally two types of strategies when buying and selling property. Some people make a move only when the market rewards them with a profit on their home. Other people buy and sell depending on their life plans. Sometimes they make money when they sell and sometimes they don't. These folks figure that the gains and losses will average out over time. Both strategies work. Simply decide what's most important, a gain on this home sale or a gain over a lifetime of selling and buying homes to live in.

If you decide that now is the time to sell, I'd suggest that you engage in the strongest possible selling strategy. Understand that you are absolutely in a price war and a beauty contest and that your best chance of selling for the highest price occurs within the first 30 days of marketing the property. During November 2007, nearly one third (30.94%) of new Casa Grande listings went under contract, compared with only 6.76% of those listings that were on the market more than 30 days (information derived from Arizona Regional Multiple Listing System.) National Association of Realtors statistics consistently indicate that the longer your home is on the market the lower your final sales price will be. With an eighteen month supply of

inventory slow market activity in the first thirty days could be terminal! In an appreciating market appraisers will look to comparable sales as an indicator of value. In a static or declining market, competing listings is a more valid consideration for pricing than closed sales, although appraisers are still required to use closed sales in their computations. While appraisers were able to consider closed sales up to six months old, now many lenders are requiring comparable sales data of less than ninety days old. The bottom line is that your home will need to be priced **BELOW** all competing listings and look like a bargain to attract potential purchasers.

I've never personally competed in a beauty contest. I understand that those who do employ consultants to help them highlight their best features, and minimize or eliminate their less desirable features. The equivalent in the housing market is a staging professional. In order to compete with other properties, it's critical to not only clean and repair your property but also use every tool available to present your home in the most attractive way. Model homes are professionally decorated and many times the cost to decorate the home exceeds the cost of the physical structure itself. Staging professionals are different than interior decorators in that they are not decorating to your personal taste but appealing to the broadest range of purchasers. Barb Schwarz, who founded the International Association of Professional Home Stagers says the goal is to show potential buyers a dwelling that's both tasteful and impersonal enough for them to "mentally move in." Professional staging can cost a few hundred dollars for a consultation only to a few thousand dollars for accenting a typical home (including materials and the stager's fees), to several thousand dollars to furnish a large vacant home. Since you never have a second chance to make a great first impression, the beauty factor could be the difference between your home selling or not selling at all, let alone in the first thirty days.

Internet "showings" are changing the way homes are sold today. In the past we evaluated a home's acceptance by the market by counting sign calls, ad calls and physical showings, and evaluating the feedback. National statistics indicated that eight to ten showings would usually result in an acceptable offer. Prospective buyers from all over the world view properties on the internet prior to viewing a property in person. Recent national statistics indicate that twenty-five "internet showings" should produce one physical showing. In today's market we track internet "showings" and know that if a property is receiving many "internet showings" and few physical showings, then either the property is priced too high and/or the pictures shown on the internet give the impression of an "ugly duckling" instead of a swan. The old saying that "a picture is worth a thousand words" certainly is valid in today's real estate market. National statistics show that 73% of all prospective home buyers view properties on the internet before contacting an agent. Our own tracking indicates that 82% of buyers working with our office viewed listings on our websites before contacting us.

The days of listing a property, planting a sign in the front yard and running a classified ad in the newspaper is over. To sell in today's market, a solid marketing strategy requires attractive internet marketing, competitive pricing and impeccable condition. If this sounds like a daunting prospect, your alternative is to wait until supply and demand are more in balance or price your property at a bargain basement price. Any other strategy is merely wishful thinking.

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