

The Facts of Real Estate Life (for Home Sellers)

By Joe Klock, Sr.



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THE FACTS OF REAL ESTATE LIFE - FOR HOME SELLERS, By Joe Klock, Sr, August 27, 2006

Market conditions change, but some basic truths are immutable.

The following is a bedrock mantra that I've been chanting to home sellers for more than a half-century. It covers core principles, applicable in any kind of market, that are frequently ignored by homeowners and (sadly) sometimes by their agents. Some of them you may not like, but so be it.

1. Your home can't possibly sell for a penny more than the best offer obtainable from the best buyer available in the current market. Recent sales of similar properties have historical value, but the "best buyer" you're looking for exists in the present marketplace, not in past record books. No property has ever sold for more than that best offer from that best buyer. Your objective is to find that buyer and obtain that offer.

2. The only way to determine the true value of a house is to thoroughly test the market and aggressively challenge the competition. Appraisals and market analyses can be helpful in establishing a listing price for your home, but its ultimate selling price will be determined by the prospective buyers you are able to contact. Buyers will compare your home with other offerings in their price range and make judgments. It is critical that your home be competitive in both price and appeal with their other options.

3. Testing a bigger and better market will yield a higher selling price. It is axiomatic that the larger the market you can reach, and the higher the quality of that market, the better will be the price you realize. It stands to reason, for example, that sellers working alone ("FSBOs") can expose their home only to the small market segment that can be reached by a single sign and limited advertising.

Despite the multiple signs and substantial sums of money spent on advertising, these two sources usually account for only about 20% of the actual buyers attracted to a typical real estate office. The other 80% of the action is generated by the marketing activities of the real estate brokers and cooperating agents. It is also well-established that the buyers most ready, willing and able to act are almost invariably availing themselves of the services of real estate professionals.

4. An appropriate listing price will, immediately and consistently, attract attention and generate activity. The process of testing the market need not be a lengthy one. As previously noted, buyers do comparison

shopping and act accordingly. When a property is first exposed to the market, both buyers and brokers make "instant evaluations" of the offering and, if it compares favorably with what they have already seen, it will not only attract their attention, but stimulate them to inquire about details, arrange appointments to inspect and submit offers.

Your listing price must be realistic enough to immediately attract this attention from buyers and brokers. If it does not do so, while competitive properties are experiencing positive results, you have a clear (albeit painful) indication that your listing price is not meeting the acid test of the marketplace.

5. A home that is priced realistically and marketed effectively will always (i.e., ALWAYS) sell! There's an old saying that the three most important words in real estate are "location, location and location." Like a lot of old sayings, it is simply untrue. No matter how poor the location might be, there is a price at which any property will sell, and that price will be determined by testing the market.

The three most important words in real estate, therefore, are price, price and price!

Unless the price and terms are competitive, the chances of a home selling are slim to none; and even "realistic" pricing must be confirmed by a thorough testing of the market and aggressive challenging of the current competition.

BOTTOM LINE #1: When proper pricing is combined with effective marketing, there is a buyer for everything and, given these conditions, any home can be sold in any market.

BOTTOM LINE #2: Homes that languish unsold on the market for months, and even years, are ignoring these time-proven principles, causing unnecessary inconvenience and financial damage to their owners and agents.

BOTTOM LINE #3: The market is not always kind, but it is never wrong... and those who believe otherwise pay a heavy price for ignoring these "facts of real estate life."

The ritual dance of negotiation changes with market fluctuations, but the rhythm of reality does not.

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