

GUEST COLUMNIST

'Why won't my house sell?' is frequently asked these days

BY DOUGLAS BUENZ

Part 1

"Why won't my house sell?" seems to be the most frequently asked question being heard these days as the inventory of available homes swells. It has replaced the ever popular "How many offers do you think we will get?" or "Should we wait two weeks or three weeks to look at all offers?"

As is often the case, there is both a simple answer and the more complex explanation. The simple answer is that buyers are not interested in your home at your current price. As always, there are many underlying factors that impact when your home sells, and at what price. I will examine these factors in my next few columns. Today, let's examine price.

One of the problems is that you are likely to get several opinions of what your home is worth. As a seller, you no doubt have an opinion. So do your neighbors, who are interested in defending neighborhood values. So do your parents, who last sold a home when we called presidents by their initials.

Realtors who want to list your home have an opinion, as do Realtors who represent buyers (they are likely to be different prices, by the way). You might even have an opinion in the form of a recent appraisal from when you refinanced.

Last, and definitely not least, are buyers. I'm not talking about professional lookers who visit every open house in town — I'm

talking about buyers who have their checkbooks in hand, and who actually have a motivation to buy a home NOW.

Guess which opinion counts the most? If you guess the last one, you guessed right. It is real buyers who determine the value of your home.

In order to be successful in this market, you must understand the list. When serious buyers want to see homes, they most often contact a Realtor, who proceeds to pull up a list of available homes in their price range.

Right now, that list can be rather substantial, given the amount of inventory on the market. Next they will eliminate homes based on size, location, age, bedrooms, lot size, and other factors, depending on what the buyer is looking for. If your home makes their list, then you have a chance.

The buyers will then see the homes that are left, and decide which home(s) most interests them. If your home is priced well, and competes favorably with other homes in your price bracket, then you have a good chance of selling it to these potential buyers.

But if they find homes in the same price range that offer more in the way of appeal, size, lot size, or any other factors important to the buyer, then you will likely lose out to the competition. You might even want to consider visiting some of the competing homes in your price range to see what you are up against.

While your home is on the market, you

need constant information from your Realtor. For example, are other homes in our price range selling? How many homes are we competing with? How do we compare with other homes in our price segment? Are other competing listings getting a lot of showings? If a buyer looked at your home but did not buy, why not? Did they buy something else? These are critical questions that need to be answered in order to evaluate your price.

This can be a challenging market to price a home, even for professional Realtors. It is quite possible that you may need to consider reducing your price if the home has not sold within the first 30 days. If you do decide to lower your price, make it count.

The biggest benefit of lowering your price is that you will be changing the competition, so you should compare more favorably with the homes in a lower price segment. Also, you have immediate access to a different pool of buyers.

For example, if a buyer wants to look at homes up to \$500,000, and you are priced at \$529,000, you are not on the list. If you reduce the price to \$499,000, you are immediately in play with a new set of buyers in this price range. And odds are that your home will compete much more favorably with the other homes in this new price range.

The reality is the market builds in a price reduction on your home once it has been on the market for a few weeks. Even if you don't reduce your price, the buyers will. The first

question buyers ask today is, "How long has it been on the market?" If the answer is over 30 days, then buyers discount the price, figuring that it obviously isn't worth the price you are asking because it hasn't sold.

By adjusting your price, you are simply adjusting to the realities of the market. So you might as well reduce it, and reposition your home in a new price segment. And if you are going to reduce it, reduce it enough to get into a new price bracket. A \$10,000 price reduction on a \$800,000 will have virtually no effect.

One prominent real estate expert advises a 10-percent price reduction if your home has not sold in a reasonable amount of time, assuming it has been properly exposed to the market. While harsh, it is effective.

Many sellers complain that they are losing money when they reduce their price. I've seen sellers who bought their home for \$400,000 list it for \$750,000, and then claim they are losing money if they have to reduce it to \$699,000. But \$699,000 is more than \$400,000. You have still done extremely well — so reduce your price, take your profit and thank your lucky stars that you don't live in places like Texas, where a two-percent annual appreciation rate is considered a windfall.

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