

7 Deadly Sins of Overpricing

August 11, 2011

“We can always go down, but we can’t go up.”

Have you ever heard that from a client? If you have been on many listing appointments, you have probably heard this statement once or twice. When setting the sales price of their home, many sellers are tempted to tack on a few percentage points to “leave room to negotiate”.

Overpricing a home can have many ramifications for a home seller. It can limit the number of potential buyers who can afford your home, reduce showings and create an impression in the marketplace that the homeowners aren’t really serious about selling their home.



Serious homeowners who overprice their home often get caught in the trap of price reduction after price reduction trying to catch up to the market.

During the past year, U.S. home sellers slashed more than \$24 billion from home listings on Trulia.com. Trulia’s Q1 Home Offer Report indicated that on average, most sellers will reduce their list price after 79 days on the market, choosing to cut their original list price by 8 percent. Following a first reduction, 35 percent of these sellers will make a second.

Most homebuyers look at 10-15 homes before making a buying decision. Because of this, setting a competitive price relative to the competition is an essential component to a successful marketing strategy. Under pricing a home isn’t good either- educating your clients about the importance of properly pricing a home is key to the home sales process.

We put together this handy tip sheet to share with your sellers on the seven deadly sins of overpricing.

TRULIA'S HOME OFFER REPORT REVEALS WHERE HOMEBUYERS CAN FIND DEEP DISCOUNTS THIS SPRING

Sellers in major U.S. cities quick to make first price reduction and more likely to make multiple cuts.

SAN FRANCISCO, April 14, 2011 – **Trulia**, a top resource for homebuyers, sellers and renters, today launched the Home Offer Report to give buyers and sellers the upper hand – whether they are making an offer or putting their home on the market. This new quarterly report and interactive map empowers buyers to make strategic offers and help sellers price their homes to sell by providing local insights on when the first price reductions occurs in a neighborhood, where the reductions are happening and how deep the reductions are.

KEY FINDINGS

- During the past year, U.S. home sellers slashed more than \$24 billion in potential wealth from home listings on Trulia.com. On average, most sellers will reduce their list price after 79 days on the market, choosing to cut their original list price by 8 percent. Following a first reduction, 35 percent of these sellers will make a second.
- By comparison, sellers in America's 50 largest cities wait 62 days before making their first price reduction, discounting their listings by an average of 7 percent. Of the sellers who make one reduction, 42 percent will reduce their listing price again. Here are the full rankings among these metros:
 - High probability of multiple price reductions plagues Phoenix, Mesa and Jacksonville.

#	City	State	Probability of Second Reduction After Making First Cut
1	Phoenix	AZ	56%
2	Mesa	AZ	54%
3	Jacksonville	FL	52%
4	Baltimore	MD	49%
5	Chicago	IL	48%

- Home sellers in El Paso, Tulsa and Omaha are least likely to make multiple price reductions.

#	City	State	Probability of Second Reduction After Making First Cut
1	El Paso	TX	28%
2	Tulsa	OK	28%
3	Omaha	NE	30%
4	Honolulu	HI	33%
5	San Francisco	CA	35%

- Detroit home sellers offer deepest real estate discounts.

#	City	State	Average Percentage Discount During First Reduction
1	Detroit	MI	19%
2	Miami	FL	11%
3	Columbus	OH	11%
4	Baltimore	MD	10%
5	Atlanta	GA	9%

- Boston tops list of stingy sellers with smallest discounts on market.

#	City	State	Average Percentage Discount During First Reduction
1	Boston	MA	5%
2	Austin	TX	5%
3	Raleigh	NC	5%
4	Colorado Springs	CO	5%
5	El Paso	TX	5%

- New York City is home to the nation's most stubborn home sellers who often wait 80 days on market before making their first price cut.

#	City	State	Average Day on Market Before First Reduction
1	New York	NY	80
2	El Paso	TX	79
3	Charlotte	NC	75
4	Cleveland	OH	74
5	Raleigh	NC	71
6	Louisville	KY	71
7	Kansas City	MO	71
8	Memphis	TN	70
9	Miami	FL	69
10	Fort Worth	TX	69

- Minneapolis home sellers are quickest to slash their list price.

#	City	State	Average Day on Market Before First Reduction
1	Minneapolis	MN	45
2	Oakland	CA	48
3	Phoenix	AZ	48
4	Sacramento	CA	49
5	San Diego	CA	50
6	Omaha	NE	52
7	San Jose	CA	53
8	Seattle	WA	54

9	Las Vegas	CA	54
1 0	Mesa	AZ	55

WHAT ABOUT THE ALABAMA RIVER REGION? Like to know the statistics within a certain zip code or subdivision, call or email me and I will be happy sending you the information you need!

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