

"Losing" on Real Estate Price a Matter of Perspective

by M. Anthony Carr

When it comes to pricing your house when you're ready to sell it, keep in mind you must sell in the market you're in today. It doesn't matter what your former neighbor got six months ago, or what properties are listed for now. All that matters is this -- whatever the last sale price in your neighborhood of your model -- that's probably your sale price now.

When you're looking at what you'll gain on the sale of your house, let's keep it in perspective. If house prices increased year after year at 4 percent per year and then suddenly people were selling their houses for 1 percent less than last year's asking price, would that be reasonable? If so, then when property is moving up at 20 percent per year for several years and then suddenly you have to sell it for 5 percent less than the prices last year, would that be reasonable? The challenge is when we move from percentages to dollar amounts. If 5 percent represented \$5,000, most people wouldn't blink. It's when 5 percent represents \$25,000 that sellers start to freak.

In the DC area, we were experiencing astounding rates of appreciation as a region, 20 percent from 2004 to 2005 prices. Many homeowners have experienced a doubling in property values over the last five years. The average home price is now about \$540,000, according to the local multiple listing system. Now, price appreciation has subsided and is sitting at a mere 5 to 8 percent region wide (depending on where you're standing). Sounds pretty healthy, still, right? You would think.

However, there are stories from the field on how sellers are defending their prices as if their lives depended on it. While sellers are sitting on hundreds of thousands of dollars of equity, they can't stand the idea of dropping their price by \$25,000 or \$50,000 to sell it today. The house that was \$260,000 in 1999, is now selling for \$569,000 today. But some sellers now want that same type appreciation and can't imagine selling it for less than \$589,000. Bringing it down the \$20,000 or \$40,000 to sell the property seems, well, just not fair.

What's even scarier are the agents who are defending their prices in a correcting market. I have to keep in mind that nearly half the agents in the country (as well as here in the Capital region) were not in business five years ago. They've just now entered a market where prices have to be corrected, dropped -- improved, as it were.

However, as I talk with agents around the region about their listings, they'll be the first to let you know, "It won't sell for what the seller's asking," but they're too afraid to tell the seller the sobering news.

The market is like playing Russian roulette. Sometimes you don't know what you have until you pull the trigger. Somebody needs to blink. Sellers seem to be saying to buyers, "I'll drop my price, just make an offer." While buyers are blankly replying, "I'll make an offer, just lower your price."

It's this stalemate that has played a part in creating an abundant supply of houses on the market in the DC area. We're talking upwards to 200 percent more homes on the market in any given year-to-year comparison. And, folks, after a dearth of homes in this area, it's a good thing. Is it affecting prices? Sure thing. Will prices come down? Absolutely. Are sellers going to lose money? Well -- in some cases.

For sellers staying in the same area, keep in mind, if you have to drop your price by 5 percent, then the seller of the house you're buying (usually a lot more expensive) is probably doing to drop the sales price by about the same percentage point. It means that while you may "lose" money on the sale of your home, you'll more than likely "gain" it on the purchase up.

Keep in mind, the market is the market. When it's time to buy, buy. When it's time to move, then sell. Work with the market you're in, not in the market you wish it would be.

Copyright © 2006 Realty Times. All Rights Reserved.

With an award winning staff of writers providing up to the minute real estate news and advice, thousands of REALTORS® in North America reporting daily market conditions, and a nationally broadcast television news program, Realty Times is the one-stop shop for real estate information. That's why over 10,000 real estate professionals have turned to us for their publicity needs.