



SCHWARTZ Report

DIRECT: 302-234-5202 • OFFICE: 302-239-3000
www.charlieschwartz.com

September, 2015

TOO MUCH WEIGHT STOPS THE FREIGHT

With home prices rebounding as the home sale inventory is dropping, many different price ranges are increasingly becoming sellers' markets. As reported in the July, 2015 Mid-Year Housing Report, our core market is looking at less than 5 months of inventory at the current rate of sales. Five to six month's supply of inventory is considered a "balanced market" by the National Association of Realtors. As the inventory drops below the five month pace level, which it did during the first half of this year, the market turns from the prolonged buyers' market that we have been experiencing to one in which the sellers are in control. It has taken a number of years and many converging factors to cause this to happen but the signs are unmistakable. Multiple offers on the same property and declining average days on market are just two recent examples.



a compelling price is half sold because it comes to the immediate attention of prospective buyers. They have been house-hunting, some for months, and they have picked over the current inventory that meets their criteria for price, size, location, etc. They have qualified themselves, not only for financing purposes but are on top of their game when comparing price to value. I tell my buyers that when

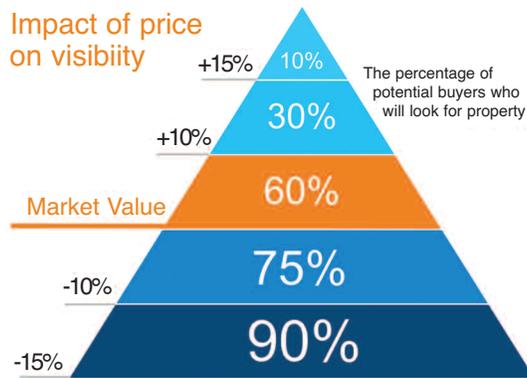
we are done searching they will be as much of an expert in their segment of the market as I may be if I am doing a good job for them. Each seller must interest these educated buyers currently in the market with their offering, or will have to wait, perhaps for an extended period, for another group to come along and educate themselves as to value. This can only cost time and money. The market is not always kind but it is never wrong.

I have frequently characterized the real estate market as a commodity market, which, like any other, is susceptible to the vagaries of the law of supply and demand. Localized as each real estate market may be, they each respond through price to changes in supply or demand. Believe it or not, successful pricing is more difficult in a sellers' market than in a buyers' market. That is because there is a tendency among sellers to build "negotiating room" into their initial list price. The classic statement to prepare their agent for that is: "If it doesn't sell, we can always come down later." The proper response to this non-strategy is to say that there is no later. Targeting a market clearing price in a sellers' market depends more on what's for sale now and what's about to come on the market. The best potential buyers are those who are already in the market. A property with

Built in "negotiating room" could lower the number of buyers that will see the property as well. Take this example: If a seller is looking to sell their home on the market for \$400,000 but lists it at \$425,000 in order to build in some room for negotiation, buyers searching on-line in the \$350,000 to \$400,000 price range won't know that listing is available or that it should really sell for \$400,000. We call this becoming

invisible to the marketplace. Buyers searching from \$400,000 to \$450,000 will see a property with less to offer than its competitors. We call this the pin ball effect. By this I mean that potential buyers will bank off of that listing and go on to something of greater value. In effect then, what the "negotiating room" has done is to help someone else sell their home. So, the higher a seller prices their home over its market value, the less potential bid-

Impact of price on visibility



The percentage of potential buyers who will look for property

ders will actually see it when searching. Less potential bidders, equals less demand which means a lower eventual sale price. See the nearby chart depicting the impact of price on visibility.

A far better strategy would be to price properly from the beginning and bring in multiple offers. That forces interested buyers to compete against each other for the "right" to buy the property, creating an auction effect. If your pricing strategy only receives one offer you have created an adversarial situation with the prospective buyers. It's them against you. If, however, there are multiple offers, you have two or more buyers presenting prices and terms which are more likely to please you. Professor John Knight in his study published in Real Estate Economics* put it this way: "Homes that underwent a

price revision sold for less, and the greater the revision, the lower the selling price. Also, the longer the home remains on the market, the lower the ultimate selling price."Great pricing really comes down to appreciating the real estate dynamics in each neighborhood. My dad used to put it in simpler terms. He would say when asked for some negotiating room, that no matter how much horsepower an engine might have, eventually putting too much weight on will stop it. In this case the price is the weight, a burden which may be too much to overcome. In short, too much weight stops the freight.

**John Knight, "Listing Price, Time on Market and Ultimate Selling Price", Eberhardt School of Business, University of the Pacific.*

Charlie Schwartz
Patterson-Schwartz
7234 Lancaster Pike, Suite 100A
Hockessin, Delaware 19707
302-239-3000

Visit my website
www.charlieschwartz.com
for a detailed overview of the current real estate markets in New Castle & Kent County, DE, S. Chester County, PA and Cecil County, MD.

PRSR STD
U.S. POSTAGE
PAID
Patterson-Schwartz
Real Estate



FIXER UPPERS
Bargains, lowest prices. These homes need work. Call for a free computerized list with pictures.
Free recorded message
1-888-322-5252 ID #1048
Patterson-Schwartz Real Estate



If your home is currently listed for sale, this is not intended to be a solicitation.

27 Quick and Easy Fix Ups to Sell Your Home Fast and for Top Dollar

DE, MD, PA – Because your home may well be your largest asset, selling it is probably one of the most important decisions you will make in your life. And once you have made that decision, you'll want to sell your home for the highest price in the shortest time possible without compromising your sanity. Before you place your home on the market, here's a way to help you to be as prepared as possible.

To assist homesellers, a new industry report has just been released called "27 Valuable Tips That You Should Know to Get Your Home Sold Fast and for Top Dollar." It tackles the important issues you need to know to make your home competitive in today's tough, aggressive marketplace.

Through these 27 tips you will discover how to protect and capitalize on your most important investment, reduce stress, be in control of your situation, and make

the best profit possible. In this report you'll discover how to avoid financial disappointment or worse, a financial disaster when selling your home. Using a common-sense approach, you will get the straight facts about what can make or break the sale of your home.

You owe it to yourself to learn how these important tips will give you the competitive edge to get your home sold fast and for the most amount of money.

To order a **FREE Special Report**, visit www.charlieschwartz.com and select **Seller Tips** from the side bar menu, or to hear a brief recorded message about how to order your **FREE copy of this report call toll-free 1-888-322-5252 and enter 1023. You can call any time, 24 hours a day, 7 days a week.**

Get your free special report NOW to learn how to ensure a home inspection doesn't cost you the sale of your home.

*This report is courtesy of Charlie Schwartz of Patterson-Schwartz Real Estate.
Not intended to solicit properties currently listed for sale. Copyright© 2013.*

