The Seller’s Market Lives on — But Only for Homes That Are Priced Right

The chart at right shows how long a sampling of Jeffco homes listed during the first six months of 2015 spent on the market before going under contract. The clock is still running for 24 of those listings which are still active.

This chart demonstrates why there is such a difference between the median days on market and average days on market. These listings have an average days on market of 39, but a median days on market of 12. “Median” means that half the listings sold in 12 days or less and half took longer than 12 days to sell. The average is so much higher than the median because of all those homes that were on the market for 60, 90, 180 days or longer.

Why does it happen that most homes sell quickly but others take so long to sell? The simple answer is overpricing. If a home is priced well — no matter what the price range — it can sell quickly and even attract multiple offers. But if it is overpriced, it can sit on the market for a long, long time.

Of those 22 homes shown as on the market 180 to 365 days, only two are sold listings and four are currently under contract. The other 16 are all still for sale. The listing (or sold) prices of those 22 listings is 91.1% of their original listing price and will probably slide further before the remaining 16 listings sell.

By contrast, those 240 listings which sold in 0 to 7 days sold for an average 101.1% of asking price. That percentage would be even higher if it weren’t for people selling their homes too quickly. That’s right — too quickly!

I’m referring to the homes that show zero days on market, of which there were nearly 400 in Jefferson County this year. Many of those sellers would, by my calculation, have received an average of one to two percent more — many of them much more — for their homes if they had waited at least two or three days before accepting a contract. Analyzing sales from January through June 2015, I found that homes which sold with zero days on market sold for an average of roughly full price, but the homes which sold in 2 to 5 days sold for an average of 101% to 102% of asking price.

Some listing agents who got their sellers to accept the first offer without waiting for others may have done so because it was their buyer and they didn’t want another agent’s buyer to get the house. That way the listing agent kept the entire commission instead of splitting it with a buyer’s agent. My research showed that of 197 such listings which sold in zero days, 95 of them — or just under 50% — were sold by the listing agents, doubling their commission. By comparison, of the 198 listings which sold in five days, only seven — or 3.5% — were sold by the listing agent.

If you sold your home to a buyer which your listing agent brought you without waiting for additional offers, you may have left money on the table — and in your listing agent’s pockets.

I was inspired to write on this topic because my seller understood and accepted my strategy of pricing the home at market value instead of at a premium, as so many sellers want to do. We could have priced the home at $350,000 and maybe have attracted a buyer after a week or so, but by pricing the home at $335,000 we drew enough buyers to be selective. The seller got the closing date he wanted and also got the buyer with the strongest financing.

The chart below shows a five-year history of median days on market (solid blue) and the ratio of sold price to original listing price (green line). It shows clearly the inverse relationship between time on market and the ratio of sold price to listing price. There’s no substitute for pricing a home correctly.