More Than Ever, Overpriced Homes Sell for Less Than Underpriced Ones

The longer this seller's market goes on, the more obvious it is that a home cannot be underpriced, it can only be overpriced — and those overpriced homes often end up selling for less than the underpriced homes, if they sell at all.

Last year I listed a home for $580,000 while an almost identi-cal home was on the market nearby for $625,000. Before we could hold our first open house, I had multiple offers and it went under contract for $618,000, a price that the seller of the other house might or might not have accepted — but my listing got the offers.

I had the same scenario happen this past week. I advertised a home for sale in the 500's, but lowered it to the high 400's before putting it on the MLS. We had over a dozen showings the first day, and our first offer was for $30,000 more than the listed price. If we had put it on the market at the original price, I suspect it would be sitting on the market with few showings and no offers.

I also like to tell the story of a home that another broker listed a few years ago for $1.2 million. After it had languished on the market, the listing broker convinced the seller to lower the price to $600,000. Within days it was under contract for $1.1 million. A very gutsy move, and it worked!

Sellers too often fall victim to the belief that because it's a seller's market they can dictate a high price for their homes. Those are often the homes that end up not selling at all.

Another common mistake by sellers is to calculate how much they invested in the home and expect to recapture that investment upon selling. The hardest task of a listing broker can be convincing a seller that the market doesn't care what was spent on the home. The market only cares about supply and demand and what a willing buyer will pay.

This is particularly true with money spent on purchasing a solar PV system for one's house. If you do decide to invest in rooftop solar for your home, I suggest you lease rather than purchase. This way you put no money down for the system and pay less in monthly lease costs than you would have paid for the electricity generated. Then when you sell the house, you don't have to try to get real value for the solar PV because you didn’t pay for its installation.

Instead you just have to convince the buyer to assume the lease — which should be a no-brainer.

Now’s a Good Time to Put That Hard-to-Sell Home on the Market

In “normal” times, some homes are harder to sell than others. However, these are not normal times. Homes which would normally be hard to sell can sell quickly now.

Take the example of a home backing to a busy highway. In the past I would have expected such a home to sit on the market for a long time, as buyers went for other homes with little or no traffic noise.

Nowadays, there is such a shortage of listings and such an abundance of buyers that buyers are being much less picky. That house next to a highway, even if priced above what it would probably appraise for, can attract multiple offers before even holding an open house. If priced right (see my column above), those offers would likely be above full price.

Homes have other negatives besides highway noise. Perhaps the home is close to a power line, or the adjoining properties are unattractive, or the driveway is steep and north facing. There are lots of reasons why buyers might have looked elsewhere in the past, but those considerations are out the window, because the typical buyer has lost out on so many offers to buy other homes that he/she is willing to accept conditions which might have turned him or her off in earlier times.

[Adapted from a column originally published on May 29, 2014. What I wrote then is just as true now.]