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Why Sellers Overprice Their Homes

Written by [Blanche Evans](#) on Thursday, 16 October 2014 12:12 pm

There's one piece of advice that every real estate agent on earth will tell you - "If you overprice your home, it will take longer to sell and sell for less money."

Yet, sellers ignore them, and overprice their homes anyway, hoping their home will be the one to defy market physics. Why do they do it? Lots of reasons:

- They feel entitled to make a profit
- They don't want to bring money to closing
- They feel their home is superior to other similar homes
- They want a return on improvements and repairs
- They want to buy a bigger, more expensive home
- They want to pay off credit card and student loan debts
- They want to pay for college, retirement or some other financial goal
- They think buyers want to negotiate
- They think real estate agents can get it sold for more if they just work harder

Did you notice that not a single one of those reasons has anything to do with the current market value of the home?

According to an older study from real estate community Zillow.com, sellers often base their asking prices on their original purchase price. In other words, they want to live in the home for a number of years, and then sell it for more than they paid for it so they can meet personal financial goals, such as buying a bigger home or putting more toward retirement.

That's understandable, considering that typically, homes beat inflation by one or two points, but the market doesn't always cooperate. Buyers may not like the improvements you made to your home. Your home may have been in a trendy neighborhood when you purchased it, but now buyers are flocking somewhere else.

If you overprice, your home is going to stagnate on the market. The right buyer for your home might not know your home exists if they use price perimeters to search for a home. That means a

typical search between \$175,000 and \$200,000 won't include your home priced at \$205,000.



Buyers tend to search in increments depending on scale - \$10,000 increments for \$100,000 homes and \$100,000 increments for million-dollar homes. Pricing just over a logical range end point like at \$255,000 or \$505,000 will exclude that home from some search results, say experts.

Setting a high price with wiggle room to reduce the price later is not a successful strategy. You might get some showings, but you won't get offers. Your home could sit without an offer for a month or two before you take action to reduce the price. Once you reduce the price, buyers tend to think there's something wrong with the house, sending potential offers even lower.

Instead, price your home just under break points. \$249,000 instead of \$255,000. Since you're already expecting to negotiate, a lower price point might get you a full-price offer from a buyer who recognizes that your home is a good buy.

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 [About the author, Blanche Evans](#)

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Sunday, 11 January 2015 1:01 pm | posted by Deta DeLillo

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There is no "big incentive for the realtor to price the house low". That is naive and plain wrong.

The seller decides what's more important: a quick sale or a higher price. The Realtor's job is to show all options and to advice the seller. But s/he does not decide.

Sellers are NOT, in contrast to what some lay people believe, willingless puppets, wax in the hands of scheming real estate agents out for a quick buck.

I must wonder – do some people really believe they are qualified mechanics because they had their car repaired? They are dentists because they had a cavity filled? They are hairdressers because they get their hair cut?

Well, but in real estate everyone is an expert, just because they bought or sold a house. Very odd, and not really logical.

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Saturday, 10 January 2015 1:12 pm | posted by **curious Person**

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This is for Bryan: As I have posted before, I feel confident that the agents I speak with are only trying to sell or buy for me. They represent my predicament and offer their best advise to accommodate the purchase or sale of the home.

If you feel that you are being given a lower price expectancy for your home, feel free to get another agent who will assist in your endeavor.

I do not for a second believe an agent will lower your expected return on your investment just to make a sale. I have never encountered such an agent and never expect too

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Friday, 09 January 2015 4:23 pm | posted by **Bryan Maynard**

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There is a very big incentive for the realtor to price the house low so it sells quickly with little effort or cost from them. They are only losing a small percentage of the lower price in commission but the cost to hold on to it, show it, open house and possible ads is avoidable if they can convince the seller to price it low.

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Saturday, 08 November 2014 8:29 am | posted by **Tom**

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Wednesday, 22 October 2014 11:48 pm | posted by **patty**

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I always lookat all comparable homes in the area where I am selling, then I list mine at \$4,000.00To \$5000.00 less than them. I get all the traffic from the other homes and usually get full price or multiple offers. I did this on the advice of my Windermere agent!

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Tuesday, 21 October 2014 2:34 am | posted by **late night**

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Pricing at \$250,000 will not get picked up if the algorithm says up to \$250,000.dame is true for greater than \$250,000. There's so much more to real estate than a price and buyer/seller. Just like you don't go to a doctor to go to court.

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Monday, 20 October 2014 8:58 am | posted by **Tobias Kaiser, real estate broker**
ModernSouthFlorida.com

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@Sharon: Realtors err too, and sadly there are bad eggs around, like in any profession. Having a Realtor doesn't mean throwing caution into the wind - asking for a detailed explanation on how the results were found is a must. On the other hand, most laypeople do not have access to or do not know how to create a proper market analysis. No offense, but "Feeling" what a house is worth means nothing: in 22 years of practice I haven't met more than five sellers who were realistic about the value of his/her house. Everyone believes his/hers is worth more and special - a bit like 90% of all drivers think their driving skills are above average. But then, 90% can't be average, right? Just some food for thought.

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Monday, 20 October 2014 7:31 am | posted by **Sharon**

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Have a friend who just sold her house, realtor wanted her to list it \$50,000 less than what my friend felt it was worth. It was listed at the price that my friend felt her house was worth (and it was worth every bit if not more), it sold within 4 days. Had she listened to her realtor, sure the house would have sold but she would have been out that money. The seller needs to do their due diligence and research the market also, while should know the market the realtor does not always know, and just wants a quick sale. Ended up asking less for my Grandma's than we should have, because we listened to the realtor. It was a stressful time, and we should have done our research. So my Grandma ended up with less money than what she should have gotten. People were shocked that we asked so little. Won't happen in the future. As I said the seller needs to do their due diligence and research. Selling a house should be a joint effort between the seller and realtor, not just listening to what the realtor tells you. Just my experience and opinion.

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Friday, 17 October 2014 4:03 pm | posted by **Tobias Kaiser, real estate broker, SE Florida**[Comment Link](#)

As long as Sellers find Realtors who go along with it ("Once I have the listing, I'll get the price down"), they will continue to overprice homes.

Rare is the Seller with insight – "every one of your colleagues promises more" – so why be reasonable?

[Report](#)Friday, 17 October 2014 1:37 pm | posted by **interested person**[Comment Link](#)

Selling your home can have many turns, surprises and benefits for both you and the buyer. It is a scenario to be enjoyed and not something to suffer through. Approach it with a positive motive and all will go well.

[Report](#)Friday, 17 October 2014 11:20 am | posted by **Joanne Gauthier**[Comment Link](#)

I would suggest to set the price at \$250,000 this way listing will be included in search for the people looking for home from \$200-250,000, and also people looking for \$250-300,000.

Blanche is right, here in Nashville TN homes sell on average at 98% of asking price, overpricing the home will just create delays and could burn the listing, and even if you could sell it at a higher price than current market value, there is a very good chance it will not appraised.

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