

# Chasing the market down

## Consider pricing homes just a bit below comparable properties that sold



**MYVOICE**  
Amy Lessinger

There is a little-known epidemic going on. It's not often talked about, but it's something you need to be aware of if you're selling a home in today's market. It's known as "chasing the market down." It's a proven strategy to leave money on the table and drag the home selling process out to great lengths. Unfortunately, this is a strategy unknowingly employed by many.

How does it work? Let's look at an actual history of a home here in Reno. We've changed the address of this property to protect the innocent because I can assure you, the owners of this property aren't doing this on purpose.

### PROPERTY PRICE HISTORY of 123 Elm Street

Date	List price
5/06	\$890,000
12/06	\$869,000
3/07	\$799,000
4/07	\$779,000
8/07	\$669,000

It's a simple lack of understanding of the key strategies that are required to navigate a changing market. And, it's likely happening in a neighborhood near you.

I ran a quick comparative market analysis on this property, and this shows both the dangers of overpricing and of chasing the market.

Date	List price	Avg sales price
5/06	\$890,000	\$846,000
12/06	\$869,000	\$814,500
3/07	\$799,000	\$814,500
4/07	\$779,000	\$774,150
8/07	\$669,000	\$774,150

This home has been on the market for 466 days (nearly 16 months). What if they had priced their home very competitively right off the bat — at \$825,000 or even \$815,000? Based on what they are listed for today, they would have had the potential to keep over \$150,000! Instead, they held for the price, they dropped in slow increments and likely at this point are in a desperate situation. This is a classic illustration of chasing the market down.

Incidentally, I have to mention that it appears this property must be sold at any price, very unfortunate, but it also looks like

one heck of a deal to me. These opportunities abound in today's market.

So what is the strategy for pricing a home in today's market? Price the property in *front* of the market. I'm not talking about what is currently for sale. I am talking about pricing just a bit lower than the other properties that have actually *sold*. I can ask someone to pay me a million dollars for my used Suburban all day long, but until I price that vehicle near what people are willing to pay; it will do nothing but sit.

If properties are either declining or holding stable and you have a lot of other homes competing, the only way to stand out is to price just a bit lower than everyone else and then stay on top of what is going on in the market. Failing to do so causes a chain reaction of endless days on market, price reductions and worse. The properties that are overpriced actually help to sell those that aren't. For competitively priced homes that have employed the effective strategy of pricing in front of the market, those sellers have moved on to other things and the buyers know they paid a fair price. Win-win.

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