

Overpricing your home can end up being costly

By Kathleen Lynn

The Record (Hackensack N.J)

HACKENSACK, N.J. — Real-estate agents often warn sellers about the danger of overpricing a **house**. Now they have evidence to show skeptical clients: research by Jeffrey Otteau, a New Jersey appraiser.

He found that in a market where prices are declining, sellers who "test the market" with a high price usually end up with a lower price than those who price realistically.

"Houses that are priced right are selling," Otteau said. "Overpricing extends days on the market and guarantees that you will sell your home for less in a declining market."

Otteau, of Otteau Valuation Group, studied about 4,500 home sales that took place in the first half of 2007, largely in northern and central New Jersey.

Most of the houses were priced between \$500,000 and \$750,000.

He looked at houses that sold in less than a month and found that they had a median asking price of \$599,900 and sold for almost full price — a median of \$599,000. When he looked at houses that lingered on the market for more than a month, however, he found they were priced higher — at a median of \$634,900 — but actually sold for less, a median of \$585,000.

The median is the point at which half the sale prices are above and half below.

"Everything's a function of price," Otteau said.

With a high price, the **house** stays on the market as buyers ignore it in favor of lower-priced competitors.

And if prices are falling, a **house** that sells three months from now is going to command a lower price than one that sells today.

Otteau said that pricing a **house** a little below the competition not only catches buyers' interest — but it also reassures them that they won't kick themselves later for overpaying if, as expected, home prices drift lower in 2008.

Otteau said that to find the right price, real-estate agents should look at recent sales of similar properties, as well as what's currently on the market nearby.

Then they should adjust for such factors as the amount of living space, number of bathrooms and bedrooms and the condition of the **house**.

And if an agent sees that prices are trending downward, he or she should adjust for that, too. Agents should aim to underprice the competition.

"You can't just try for a higher price because you really want it," he said. "The way to get a higher price is to create a sense of urgency by setting a lower price."