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NEI's Real Estate Report

Published Monthly By Anthony Newman of NEI Realty

JULY 2006

Pricing Right Sellers' Job No. 1

by M. Anthony Carr

It seems during a slowing market, the last person to get the message that the house needs a lower price is the seller. After all, the seller has the most to lose by "improving" the price and it's a tough decision to let go of a dream of cashing out.

A sellers market builds over time. If new jobs enter a particular area and housing doesn't keep pace, home shortages create a sellers market where prices increase and bidding wars begin. Then, one of two events happen to make a market cool down: the economy stops growing or prices become too expensive (combined with an ample supply of rentals). A normalized/buyers market is born and sellers need to get on board or hit the showers.

In the Washington, D.C. area, jobs are continuing to enter the market at a projected rate of 65,000 in 2006 (which is on top of more than 70,000 new jobs in 2005). According to the Center of Regional Analysis at George Mason University, the area has a deficit of housing by about 160,000 units. With plenty of rentals available this past year and skittish buyers, the area has just come off one of its hottest markets ever. It's cooled, slowed, normalized.

When people ask if it's crashing, I just point out that if you were driving at 120 mph and slowed to 75 mph, how would it feel? The lower speed limit may seem a lot slower, but it's still faster than the speed limit. We're running at that fast, but slower pace, now.

Nevertheless, as inventories grow and days on market increase, those in the business know what will sell a house more than anything else -- a price correction. Call it "reduced," "price cut," "realignment," "price improvement," "repositioning," or whatever you want -- the price needs to come down to where the buyers are biting.

I've collected quite a few excuses that sellers and some agents hold onto, instead of biting the bullet and bringing down the price.

"My house is worth it." Well, according to who? Usually, this statement is followed by a shopping list of items that have been added to the house: hardwood floors, 9-foot ceilings, new appliances, upgraded bath/kitchen, you name it. Yeah, your house is unique, just like everybody else's. The reality is while your house may have all those neat amenities, so do the other dozens, scores or hundreds of homes in your market area that are also on the market.

"It's a great looking house." It better look great if it's going to beat out the competition. Location, price and condition will always be a factor in any market. It may look great, but looks have nothing to do with real value. When you start thinking that your house pales all the competition it means one thing you probably haven't seen other houses like yours on the market.

"I have to get this much or I can't sell." Oh, I really like this one. What a seller needs doesn't matter to the buyer. The buyer is looking for as much value in a community of high-priced houses. In the DC area, the average price lingers around \$550,000. For that price, many buyers want the house to look good, have plenty of amenities and be connected with a realistic seller who is motivated.

"If I can't get my price, then I'll take it off the market." My question to that statement is: "Then why are you on the market to begin with?" Look at what it's going to take to sell your home and realize your true goal -- getting that next property. Looking at only what your house will draw is too short sighted. The real question is, "What kind of deal can I get on the next house?"

The reality of most sellers, when they are dropping the asking price, is that they are still walking away with a boatload of money, just not as much as they wanted. They really haven't "lost" anything. They've doubled their gain. When pricing your house, look at these hard-core realities: what were the last few "solds" in my type of home; what is my true goal -- to get a certain amount of gain, or to get to the next house; and, finally, am I really in the game or am I playing around? Get serious. Price right. Get the next home of your dreams.

Happy 4th of July

Ensure Your Fun This 4th of July by Following these Safety Tips:

- Fireworks are not toys and can burn or hurt you (even sparklers).
- Fireworks should only be used in wide open areas outdoors.
- Never point or throw fireworks at another person.
- Only Adults can use fire to light fireworks.
- Fireworks should be lit one at a time, then keep a safe distance.
- Keep a nearby bucket of water in case of a fire accident.
- Remember to Stop/Drop/Roll if your clothes/hair catches fire.
- If you find leftover fireworks/scrap around, tell an adult.

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Thinking of buying
or selling a home
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for a personal interview
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"Losing" on Real Estate Price a Matter of Perspective

by M. Anthony Carr

When it comes to pricing your house when you're ready to sell it, keep in mind you must sell in the market you're in today. It doesn't matter what your former neighbor got six months ago, or what properties are listed for now. All that matters is this -- whatever the last sale price in your neighborhood of your model -- that's probably your sale price now.

When you're looking at what you'll gain on the sale of your house, let's keep it in perspective. If house prices increased year after year at 4 percent per year and then suddenly people were selling their houses for 1 percent less than last year's asking price, would that be reasonable? If so, then when property is moving up at 20 percent per year for several years and then suddenly you have to sell it for 5 percent less than the prices last year, would that be reasonable? The challenge is when we move from percentages to dollar amounts. If 5 percent represented \$5,000, most people wouldn't blink. It's when 5 percent represents \$25,000 that sellers start to freak.

There are stories from the field on how sellers are defending their prices as if their lives depended on it. While sellers are sitting on hundreds of thousands of dollars of equity, they can't stand the idea of dropping their price by \$25,000 or \$50,000 to sell it today. The house that was \$260,000 in 1999, is now selling for \$569,000 today. But some sellers now want that same type appreciation and can't imagine selling it for less than \$589,000. Bringing it down the \$20,000 or \$40,000 to sell the property seems, well, just not fair.

What's even scarier are the agents who are defending their prices in a correcting market. I have to keep in mind that nearly half the agents in the country (as well as here in the Capital region) were not in business five years ago. They've just now entered a market where prices have to be corrected, dropped -- improved, as it were.

However, as I talk with agents around the region about their listings, they'll be the first to let you know, "It won't sell for what the seller's asking," but they're too afraid to tell the seller the sobering news.

The market is like playing Russian roulette. Sometimes you don't know what you have until you pull the trigger. Somebody needs to blink. Sellers seem to be saying to buyers, "I'll drop my price, just make an offer." While buyers are blankly replying, "I'll make an offer, just lower your price."

It's this stalemate that has played a part in creating an abundant supply of houses on the market in the DC area. We're talking upwards to 200 percent more homes on the market in any given year-to-year comparison. And, folks, after a dearth of homes in this area, it's a good thing. Is it affecting prices? Sure thing. Will prices come down? Absolutely. Are sellers going to lose money? Well -- in some cases.

For sellers staying in the same area, keep in mind, if you have to drop your price by 5 percent, then the seller of the house you're buying (usually a lot more expensive) is probably doing to drop the sales price by about the same percentage point. It means that while you may "lose" money on the sale of your home, you'll more than likely "gain" it on the purchase up.

Keep in mind, the market is the market. When it's time to buy, buy. When it's time to move, then sell. Work with the market you're in, not in the market you wish it would be.

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