

REAL ESTATE VALUES

REAL ESTATE LISTINGS

Overpricing your house helps others sell

By DOUG FUNKER
STAFF WRITER

The temptation is to price your house substantially higher than market value so you have room to bargain with prospective buyers.

Don't do it, real estate professionals advise.

"The most-qualified buyers will see your home in the first few weeks of the listing," said Jerry McKee, executive vice president and general manager of Hall & Hunter Realtors in Bloomfield Hills.

"Don't send them away because they believed you were asking too much for your home. They have seen other homes of similar size and condition and know from experience your home is priced too high. They were ready to buy, but you were just not ready to sell."

Ken Broaske, a Realtor associate with Century 21 Hartford North in Livonia, said he's seen the pendulum swing over the years.

"Back when I was appraising houses in '77 and '78, everyone was shocked at how much their houses

were worth. Now, people are always expecting more than the house is worth."

People who have been in a house for a while and raised their family there may be putting a value on memories that prospective buyers don't share.

The value of some improvements — furnace and windows — doesn't necessarily translate to a higher offering price at selling time.

Some younger buyers who move more often than the St. Clair parents did might want to recoup their selling expenses and prospective closing costs on the new purchase by overpricing the existing house.

"Reality hurts sometimes," said John DiMora, a Realtor with Coldwell Banker Schweitzer in Northville. "You have to get a very experienced agent who can show a couple of ways of coming up with market value."

So how do you establish an initial price?

Run a search to see what all homes have sold for in that square

mile for the last six months," said Ken Broaske, a Realtor associate with Century 21 Hartford North in Livonia.

"Buyers are always looking for a bargain and are coming in with a lower price," he said. "I've noticed that from \$70,000 to \$100,000, people are generally offering \$1,900-\$3,900 less than people are asking. In the \$100,000-\$200,000 range, it's from \$2,900 to \$6,900 less than sellers price their homes by only 2 or 3 percent higher than what similar houses are getting if they want room to negotiate."

"If houses are up for sale for more than 30 days, usually there's only two reasons they don't sell," he said. "They need a lot of work or they're overpriced."

DiMora concurred.

"By overpricing, you're helping other properties get sold," he said. "Realtors will first bring prospects to your house that's overpriced, then take them to others priced lower and that will help sell those."

The first question people ask is

how much, then how long has the house been on the market," DiMora said. "The more days a house is on the market, the further we get from the asking price."

"If a house warrants it and comparables don't show, that's not to say you can't ask for more," he said. "But it can't be so far away to be ridiculous. If you go further than 3-5 percent, that's asking for trouble."

Assessment figures on file today in municipal buildings are much more reflective of actual market value — upwards of 95 percent — than years past, Broaske added.

Check out your assessment and that of similar houses in the neighborhood before establishing a selling price.

And beware of agents who will overestimate the value of your home just to get the listing, McKee said.

"Finding a qualified Realtor as well as an agent you can trust is important," he said. "Past studies show a home will sell for up to 10 percent less when on the market for six months or longer."

Avoid conflicts when hiring a management firm

CONDO QUERIES



ROBERT M. MEISNER

Q. We are interviewing with a management company that indicates it has its own contractors and, in some instances, ownership of the subcontractors.

Some of the members of the board think that is a great idea, i.e., we are going to get a cheaper price.

Others see a problem in regard to a potential conflict or phasing out of other contractors. Do you have any opinions on that based upon your years of experience?

A. Obviously, whether it is the delivery of legal services or management or accounting services, it is important to have the very best persons that you can reasonably afford to assist you in the operation of your business.

In obtaining those consultants or contractors, it is important that they have a degree of independence from the contracting party so as to avoid any actual or apparent conflicts of interest.

For example, if your management company controls the snow removal contractor, either in terms of an ownership interest or because of financial or economic dependence upon the management company for business, while the management company may have a great deal of control over the

operations of that contractor, the downside is that if the company does not perform properly, that is a black mark on the management firm itself.

Moreover, if the management company has the benefit of knowing what the other bids are from the other contractors, that may give the management company an unfair advantage in regard to the bidding process, both in terms of the amount bid and the terms and conditions of the contract.

In any event, there should be, at all times, full disclosure from the management company as to its relationship with all of its contractors or legal counsel, to the extent utilized or recommended by the management company.

In doing same, you may be involved

in an intricate set of personal or financial dealings between the management company or professionals retained by the association, something not always in the best interest of the association.

Robert M. Meisner is a Birmingham-area attorney concentrating his practice in the areas of condominiums, real estate and corporate law. You are invited to submit questions by writing: Robert M. Meisner, 30200 Telegraph Road, Suite 407, Birmingham, AL 35245. This column provides general information and should not be construed as legal opinion. To leave a voice-mail message for Robert M. Meisner, dial (313) 953-2047, mailbox 1871.

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