

Over-listing and the Seller's Needs!



By Brian Madigan

Really, there should be no relationship, but in fact, there often is.

Sellers frequently insist on listing their properties on the basis of what they need to get out of them. This is rather silly and foolish, however, it happens every day.

Let's put you in the buyer's seat for the moment. All the houses on the street are worth about \$300,000. One that has just come on the market is priced at \$349,900. Why? Well the explanation is rather simple, the seller needs to get that much money out of the house.

There is a first mortgage of \$250,000, a second mortgage of \$50,000, credit card debt (unsecured) for \$20,000 and about \$15,000 in appliances, landscaping and other repairs and renovations spent over the last five years. So, pretty much, the seller, even if they sell for close to their asking price is not going to come away with much money.

So, let me ask you! You're the buyer, are you going to pay close to \$350,000 for this property? I think not. If you're like most buyers, you will simply wait for this one to come down in price. Possibly, someone may try an offer around \$300,000. It won't fly; so the property will stay on the market for a while.

Other properties on the street will be listed and sold around the \$300,000 range. Still, there will be no further bites on the over-priced model. Time will accrue another few thousand dollars in interest debt, and this property will likely be reduced in price somewhat. But, where will they go? You might think the \$300,000 range, but you'd be wrong. Experience suggests that this type of seller will continue to over-list the property. So, a \$10,000 reduction will be applied and bring the property into an over-listed \$339,900.

Often this reduction in price is co-incident with changing agents.

Ultimately, the property will be sold at some time in the future in the \$300,000 range. The reason is rather simple, that's what it's worth, so that's what buyers

will pay. And, if it does sell for \$339,900, it does so only after years on the market and that's now what it's worth.

Is there any lesson here? **Be realistic** and price your property according to the market. This means, *what the buyers are prepared to pay for your type of property*, not what you need to get out of your property. No one else wants to pay for your mistakes!

*Brian Madigan LL.B., Realtor is an author and commentator on real estate matters, Coldwell Banker Innovators Realty
905-796-8888
www.OntarioRealEstateSource.com*