

Price Reduction Strategy



By Brian Madigan LL.B.

If you want to know the key ingredient in getting your property sold, then it's quite simple: you need a price reduction strategy.

I'm going to assume that you have the right agent, you have confidence in the agent and you need to sell your property within a reasonable period of time.

You need to select an appropriate time frame for the marketing and sale. The longer you wait in order to maximize your sale price, the less time you'll have to get it done.

Let's assume that you are going to move into a new house on June 30th. That's fair enough, that's the busiest moving day of the year. How long does it take for the average house in your neighbourhood to sell? Forget about all the hot properties that sold at peak market times in a few days. How long on average? If you say 45 days, then you have to add a little cushion, even if it's just 15 days. So that means 60 days, or you need to sell your house by 30 April. Only one little problem here! You forgot about the due diligence period. This is the time for your purchaser to get financing, search the title and close the deal. On average, that's another 60 days.

Frequently, a purchaser who buys your property on 30 April will expect to close on 30 June. But, that didn't just occur, you had to have your property on the market to generate that sale. That's where the other 60 days comes in. That brings you back to the end of February.

Now, I'm not saying that you can't have shorter time frames, but if you have already bought, then you need to be cautious and get your property on the market.

You will want to undertake some minor repairs and maintenance and you may even consider a home stager. All this needs to take place prior to the end of February.

Once your property is effectively "on the market" you will need to have a price reduction strategy in place. Pick a price and go with it. Monitor the showings, monitor the interest, and monitor the offers. Also, monitor the neighbourhood. What just sold? What impact does that have on your property? You are effectively in competition with other vendors in your neighbourhood competing for the

buyers. Monitor new listings. Does that new listing have to sell first, before anyone will look at your property?

The only option you have to is make your property the most attractive one on the block. Lower the price and get some action! Plan a strategy to implement that decision. Consider for example, **“I’m going to lower the price by 2% every two weeks until the property is sold”**. Assuming that you are not too high in the first place, this might work.

Let’s assume you come on the market at the end of February with a \$400,000 property. By 15 March lower it by \$8,000, by 1 April lower it by another \$8,000. By 15 April, lower it by another \$8,000. Then, by that very “key” two week period at the end of April you’ll have your property listed at \$376,000. You will be far more likely to attract a buyer, than if you were still at \$400,000 waiting for the market to “catch-up” (with your thinking).

Having a price reduction strategy allows you to **stay on top of the market**. In all likelihood, it will get you showings, and offers. You need both, before you can sell your house.

The primary reason why a good house doesn’t sell is that the listing price was simply too high. So, select a price reduction strategy, stay on top of the market conditions, and let’s hope that you sell your house before you need to use it.

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