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The Return of "Reality Pricing"

I apologize for the long gap between newsletters. I intended to get a newsletter out in May, but between our high school senior graduating, river rafting the Grand Canyon, taking a vacation to recover from rafting the Grand Canyon, water polo Junior Olympics and moving our oldest into college at Pitzer (a member of the Claremont Colleges in Southern California), this newsletter just simmered on the back burner all summer.

Over the last 6-9 months the real estate market has normalized considerably. The frenzy that existed during the winter and spring has definitely mellowed as buyers have become a lot less willing to bid 10%+ over the list price as was common a year ago. The end result is a market that has seen a more gradual (but still very respectable) appreciation rate this year, which quite frankly makes for a healthier and more sustainable market.

After several years of month-over-month price increases of 1% or more (think about that for a moment!), this evolution has naturally spurred many discussions. In almost every networking group we belong to we've discussed topics including:

Are/Were we in some kind of a bubble? We don't think so.

Are home prices on the verge of dropping? Again, we don't think so.

What is the best way to price a listing now?

That last question has really been the hot topic, at least among seasoned agents that have witnessed both the booms and recessions. For literally years the modus operandi on pricing has been to set the price on the low side and let competition among buyers drive it up, often nicely above our secret target levels. This strategy works quite well when you can bank on receiving multiple offers but becomes a liability if only one buyer comes forward.

More and more, the list price of a home is an early reflection of the ultimate sale price – within reason, of course. In the absence of anticipated competition, a home priced on the low side will probably sell for less than if it had been priced respecting current market conditions. Likewise, an overpriced home may sit on the market for weeks and months generating only lowball offers from buyers hoping for a deal from a desperate seller.

What is the solution? Reality pricing! In other words, pricing a home very close to where you expect it to sell. This can be a tough adjustment for sellers who eagerly look at historical value trends and extrapolate prices in their favor. Buyers, on the other hand, tend pay the greatest heed to every market hiccup that works in their favor. When a sale does come together it often reflects some level of compromise on the part of both the buyer and seller – and sometimes even includes contingencies. Yes, actual negotiations are back!

The real estate business is much more dynamic that most people think. We pride ourselves on always being on top of the latest trends and leveraging that knowledge to the benefit of our clients.

Janie and John Barman
Exceptional Knowledge, Superior Service

"Oh, by the way, we are never too busy for your referrals."

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