

GETTING IT RIGHT THE FIRST TIME

It is critically important to price a home correctly when it first comes on the market. The reason is simple: The greatest numbers of buyers are going to see the house during the first two or three weeks.

Sellers who price their home correctly are likely to be rewarded. Those who overreach, who think they can “just wait for the right buyer to come along,” are likely to be disappointed. That usually means sitting on the market and taking a big hit financially.

We took a look at all resale homes that went to settlement in Northern Virginia as well as the Metro DC area in October and November 2015 and broke them down into just two categories: Those that had to reduce their initial list price before receiving a ratified contract (homes with the “wrong” price); and those that came on the market at the “right” price and never had to drop their list price.

The consequences of pricing strategy were starkly different, as the tables below show. Homes that had to reduce their price before attracting a buyer in both areas were on the market three times longer – an average of 96 days in Northern Virginia and 98 days in metro DC, compared to correctly priced homes that sold in just 32 days in Northern Virginia and 30 days in metro DC. Sellers of homes with the right initial price were less likely to pay any subsidy, and when they did, it was likely to be a smaller subsidy. In both cases, fewer than half the sellers of correctly priced homes had to pay a subsidy.

But the biggest impact of pricing strategy is on the final sales price. Homes that sold without having to reduce their price sold for an average of 98.4% of the list price in the metro area and 97.8% in Northern Virginia. Those that came on the market too high had to reduce their price by roughly 6% before a buyer was willing to make an offer. And when that offer came in, those sellers had to negotiate a further reduction, ultimately settling at an average of almost 10% below their original price.

So let’s sum it up. Homes that hit the market at a price that attracts buyers are on the market an average of just one month and sell very close to list price. The wrong price means more than 90 days on the market and a 10% discount to original price.

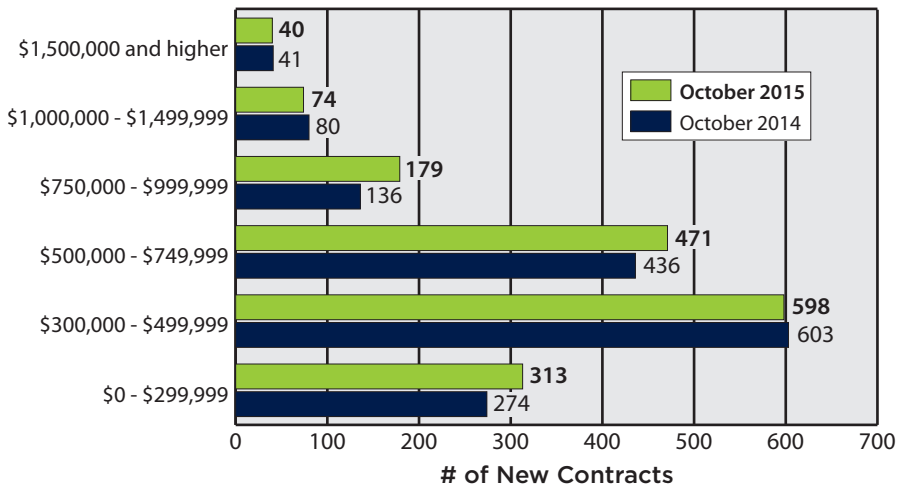
NORTHERN VIRGINIA Homes Settling in Oct. & Nov. 2015 (resale)	Homes with the “Right Price”	Homes with the “Wrong Price”
Average Days on Market	32.0	96.0
Percentage of Homes with Seller-Paid Subsidy	48.9%	53.3%
Avg. Seller-Paid Subsidy as % of Sales Price	0.59%	0.65%
Avg. Price Drop Before Receiving Contract	N/A	5.87%
Avg. Ratio of Net Sales Price to Original List Price	97.80%	90.90%

METROPOLITAN WASHINGTON, DC Homes Settling in Oct. & Nov. 2015 (resale)	Homes with the “Right Price”	Homes with the “Wrong Price”
Average Days on Market	30.1	98.1
Percentage of Homes with Seller-Paid Subsidy	43.6%	52.1%
Avg. Seller-Paid Subsidy as % of Sales Price	0.58%	0.75%
Avg. Price Drop Before Receiving Contract	N/A	6.20%
Avg. Ratio of Net Sales Price to Original List Price	98.40%	90.00%

Buyers will move forward on homes that are priced correctly, and they will take a pass on those that aren’t. Getting the price right from the beginning is the most important thing a seller can do. It really is that simple.

NEW CONTRACT ACTIVITY

Northern Virginia - October 2014 vs. October 2015



NEW CONTRACT ACTIVITY

- The number of new contracts ratified in October 2015 was **up 6.7%** from the number of contracts ratified in October 2014, and was up for three price categories.
- Contract activity year-to-date is **up 9.8%**.
- 43.2%** of all homes going under contract in October 2015 had at least one price reduction before going under contract.

FULLY AVAILABLE LISTINGS

Northern Virginia - October 31, 2014 vs. October 31, 2015

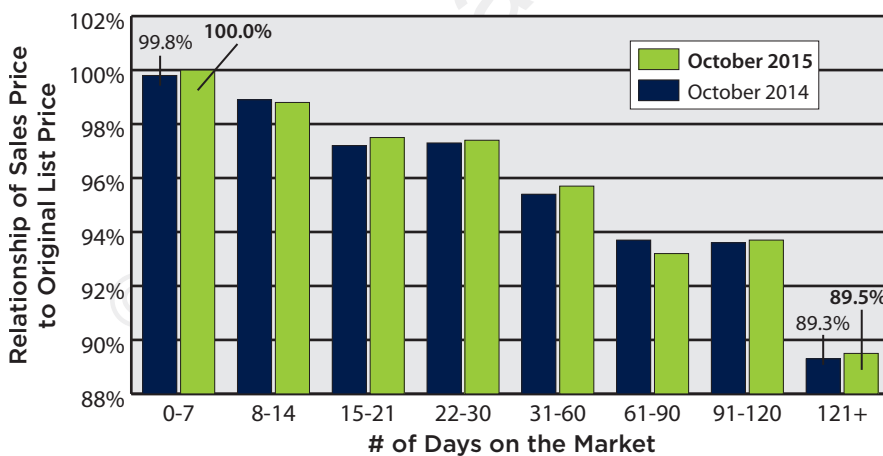


FULLY AVAILABLE LISTINGS

- The month-end inventory **increased 8.8%** in October 2015 compared to October 2014 – and there was an increase of 2.4% in the number of homes coming on the market.
- Inventory is up for all six price categories.
- 47.1%** of all homes on the market have had at least one price reduction since coming on the market.
- In October 2014, 45.5% of all homes on the market had at least one price reduction.

RELATIONSHIP OF SALES PRICE TO ORIGINAL LIST PRICE vs. DAYS ON THE MARKET

Northern Virginia - October 2014 vs. October 2015 - Resale Properties Sold



RELATIONSHIP OF SALES PRICE TO ORIGINAL PRICE vs. DAYS ON MARKET

- As we have noted in this space for years, initial pricing strategy is critical to the success of sellers.
- Homes settling in October 2015 that received contracts their first week on the market sold, on average, **right at original list price**. Those that took 4 months or longer to sell sold for **10.5% below original list price**.



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