



## The Star-Ledger

### Bid for reality

With stiff competition, Realtors urge home sellers to aim low

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**BY SAM ALI**  
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Lenny Klein thinks home sellers could learn a thing or two from eBay.

Nothing draws bidders quicker to an auction than a low opening bid, the real estate agent said. Setting a list price slightly below market value builds excitement and is more likely to create a bidding frenzy -- which can ultimately drive up the final price in the end.

"If you look at ebay, sellers start with the lowest price," said Klein, a sales agent with Schweppe Burgdorff ERA in Upper Montclair. "They say 99 cents and no matter what the product is, it's going to find its value in the market place."

It's a lesson homeowners across the state are learning well, these days.

Certainly, Realtors have a vested interest in pricing homes so they move quickly since their compensation is tied to sales -- and a slumping real estate market has put a major dent in their commissions.

But new data from a New Jersey consulting firm suggests over-priced homes not only take longer to sell, they consistently sell for thousands of dollars less than similar homes that were priced lower in the first place.

The study by Otteau Valuation Group measured and analyzed more than 15,000 transactions annually over a period of several years. The same pattern emerged in every price range, regardless of whether the properties in question were entry-level or luxury million-dollar homes: Sellers who priced their home below the market from the beginning, often received a higher price and a faster sale.

"We haven't hit bottom yet," said Jeffrey Otteau, a long-time consultant and appraiser. "For every buyer that comes to the market there are two, or three or more sellers who put their home on the market."

The same study painted an increasingly bleaker picture of a housing market that so far has escaped the complete debacles seen in places such as Florida and California.

During 2005, when home prices were doing like Marie Osmond and dancing with the stars, there were about 30,000 homes for sale in New Jersey, he said. Right now, that number has more than doubled, to 62,000 homes for sale.

At the peak of the housing boom, there were 105 buyers for every 100 sellers in New Jersey, he said. Today, there are typically just 10 or 20 or less.

In Bloomfield, for example, there are roughly 18 buyers for every 100 sellers, he said. In Mendham and Scotch Plains, eight. Even Montville, which ranked 13th in Money magazine's best 100 places to live in the United States in 2007, can only conjure up four buyers for every 100 sellers.

Otteau estimated home prices in New Jersey will not recover to 2005 peak levels until the spring of 2015, at the earliest.

All of this, has Realtors and homesellers scrambling to figure out the best listing price. It's an inexact

science at best.

Bloomfield residents Nathaniel and Abigail Kahl took their Realtor Klein's advice and listed their three-bedroom colonial for \$279,000 -- much cheaper than five nearly identical homes in the surrounding neighborhoods that ranged in price from \$299,000 to \$325,000.

For the Kahls, who have three young children, ages 5, 3 and 8 months, it was the real estate equivalent of closing their eyes and jumping off stage into a crowd.

"We heard terrible things about the market and we knew we were priced below what we thought our home was worth, but in this market we were prepared to take what we could get," said Nathaniel Kahl, 38.

What they got turned out to be nine offers on the home -- four of them over \$300,000 -- after being on the market for only six days.

"We priced it low to attract attention at the advice of our Realtor and it attracted more attention than we expected," he said. "We were lucky."

But luck had little to do with it, said Peter Sobeck, vice president and manager of Schweppe Burgdorff ERA in Upper Montclair.

The traditional thinking in pricing a home was to aim high so there's wiggle room for negotiations. But in a market with a glut of properties for sale, a price that undercuts the competition is a surefire way to make your home stand out and attract more prospective buyers.

And Sobeck said when buyers smell a good deal, it creates a sense of urgency and pits them against one another.

In 2007, sellers who priced their homes to move quickly got on average \$48,683 more than the initial list price and their homes sold in an average 23 days, he said, citing Burgdorff statistics measuring hundreds of home sales.

On the other hand, sellers who listed their homes for a higher price "to leave room for negotiation," got \$47,401 under their initial list price and their homes took an average 66 days to sell, he said.

"The people who get with the program do extremely well, but it's a leap of faith," he said.

Maggie Miggins, a broker and owner of Keller Williams in Maplewood Village said she uses a simple gauge to determine if a home is priced right.

"If my listings are getting 10 or 15 showings on a consistent basis but no offers, then I know we're off by about five percent," she said. "If we are hardly getting any showings or the bare minimum, we're off by at least 10 percent."

Otteau doesn't see a quick fix, according to his latest forecast that is based on a formula that takes into account historical price changes and expected adjustments in mortgage rates and salary increase.

In New Jersey, home prices jumped 87 percent between 2000 and 2005, meaning a home worth \$500,000 in 2000, saw its price tag climb to \$937,000 in five years.

By the end of 2006, the price had fallen 8 percent, to \$862,000 and in 2007, it fell another 7 percent, to \$802,000, he said.

Based on his calculations of how much further home prices must decline in order to bring housing affordability back to 100 percent in New Jersey, Otteau said he expects home prices will fall another 4 percent in 2008, and another 2 percent in 2009. That would make that same house worth \$755,000.

He projects prices then will remain flat through 2010, as the market burns through all the excess inventory that has built up over the years.

"Waiting is a losing game because prices are going down," he said. "Home sellers need to get that. If they are not prepared to wait around until 2015, they need to price the home right now. Time is not on their side."

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