



## How To Price A Luxury Home

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As anyone who has sold a home knows, the most important thing is pricing it right. The trick is setting a price that gets the sellers what they want without scaring off the buyers. At the top end of the market, pricing is even tougher because the most expensive properties can include intangibles like a great view, beachfront access or a historic pedigree. Nevertheless, says Nancy Allen, a broker with Pacific Union GMAC Real Estate in the San Francisco Bay area, you still need to start with the basics: "The square footage of the lot, the square footage of the house, the volume of the house. The salability such as floor plans, finishes--it can't just be average, it has to be over-the-top. Then it would be amenities, such as a view, a large flat lot, pool, tennis court and whatever."

Brokers will look at comparable homes that have been sold or are on the market, which can be a challenge at the highest price points. They will seek the advice of other real estate agents. But there is also the gut call, which especially comes into play when busting through price ceilings.

"You push the price until your stomach gets tight," says Terry Maitland of Landvest in Boston. "And when that happens you stop."

For the most part, the pricing has been pretty on the money. According to the National Association of Realtors, over the past year the average sales price of a home in the United States was about 99% of the asking price.

Inventory has been very tight across the board for high-end properties, which leads to more competitive pricing, but culture plays a big part in how aggressive valuations are. In Manhattan, for example, people expect a fight. In calmer markets, such as Washington D.C. or Atlanta, real estate brinkmanship is unusual.

A tactic often employed in places like New York or San Francisco is underpricing in order to generate a bidding war. However, that can backfire. "If you underprice it a lot, there's no assurance that people will bid up to what it should be," says Lisa Lippman, broker for The Corcoran Group, a division of Cendant (nyse: CD - news - people ), in New York. "If you price it too low and you have a feeding frenzy and it all falls apart and you jack the price up, it looks a little odd."

Some markets are less cutthroat. In St. Louis, for example, luxury properties often come with a negotiating cushion. "Most of the time when we price a house, we expect not to sell it for what we list for," says Kevin Hurley, of Edward L. Bakewell. "We can always go down but we can't go up. If we price at \$1.6 million we might get 1.5. If we put it at 1.5 we might get bids at 1.4."

According to Paul Grover, broker for Kinlin Grover GMAC Real Estate in Cape Cod, you want to price it right the first time. "Home owners think you can always come down or someone will make an offer." He points that if a house is overpriced, the seller--and broker--have missed the crucial first impression of how it is seen in the marketplace.

In New York City, a \$4 million house priced at \$4.5 million is going to disappoint educated buyers, who know they can get more for their money down the street, says Corcoran's Lippman. "It is not meeting buyers' expectations, and that's the kiss of death," she says. Meanwhile, people who are looking for a \$4 million place might not even bother to look at your listing. You can bring them in later with a lower price, but there's a certain stigma to reducing, she says.

"The rule of thumb is: You should only adjust the price once, so it has to be meaningful," Maitland says. "If you adjust more than once, nobody knows where the bottom is."

"The first two or three weeks in general are the most important," Lippman says. "Nothing is more exciting than a new property on the market that is priced correctly and gets people at that price range."

If a property is priced too high, after several months on the market it may be taken off and introduced later at a more realistic price.

While unusual features such as a terrace or high ceilings may make a house more valuable, the more idiosyncratic a property it is, the harder it will be to sell. It can be very difficult persuading sellers that their homes may just not be worth the world--especially at the top end of the market, where rich owners are used to getting what they want. "Sometimes the seller will think it's very valuable because they love it," sighs Lippman. "Generally the public doesn't."

That goes for the property's condition--and its potential cost down the road. "You've got to be realistic about the condition," Hurley explains. "A slate roof or tile roof, to replace them can be really costly."

A common concern for brokers around the U.S. is that sellers can be less than realistic about their home values. "When a broker and a seller are sitting and discussing price and the marketplace, it always seems as if helium has leaked into the room," Maitland says. "The price just keeps going up and up and up."

One client recently told him that if they priced a house as he suggested, people would think they were insane. A few months later, the house is still on the market.

"Oftentimes, the marketplace is the only educator," he says.