

# What Really Makes A Home Sell



## In One Paragraph

The factors that make a home sell, in order of importance, are: **1) economic conditions, 2) location, 3) condition (marketing), 4) price, 5) market exposure (advertising), and 6) negotiations & contingency management.** Anything that affects the salability of a home falls within these major criteria.

The first and most important of the factors that make a home sell is beyond the control of anyone associated with the home sale. Factors two and three are completely in the seller's hands. The fourth factor is actually in the control of the pool of buyers in a market and relates back to factor one. Factor five is within the control of a seller or marketing professional, if hired. Factor six is far more important than most folks know, and the mismanagement of the negotiations and contingencies of the contract can quickly kill the deal you have worked so hard to procure.

Let's look at each of the factors that make a home sell in greater detail.

## #1 Economic Conditions

Factor One: Economic Conditions (supply and demand within a marketplace). This one is simple in concept: when there are more people wanting to buy a home than there are homes

available, your house will sell quickly and for top dollar. The opposite is also true: when there are more homes available for sale than buyers willing and able to buy them, your home may take eons to sell and probably at a discount.

So what causes housing demand to ebb and flow? The elemental answer is that jobs availability and net migration into an area create demand; just think of overall economic conditions, and think of them in a more local sense than nationally.

When you have many well paying jobs locally, this causes more people to move into an area than leave (positive net migration). This increasing population, whether it's a steady inflow or a quick spike, will drive housing demand up and prices will increase

The opposite is also true: when you have more people leaving an area than coming in, called negative net migration, demand for housing drops and thus so do prices. Again, this is typically due to a loss of jobs in an area.

The flow of people into or out of an area due to job availability is the "natural" dynamic of an open market, and creates a parallel increase or decrease in demand for housing.

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kers have control over a market's economic conditions, and this is the most influential factor causing a home to sell or not to sell, please remember that.

Additionally, there can be factors outside of the natural dynamics of a marketplace which cause artificial and temporary over reaction in the housing market. The repercussions of two examples we are currently living with is the easy credit with zero-down, adjustable rate loans through 2007 which ran up an artificial demand and prices for homes, and the now extreme tightness and lack of liquidity in the credit markets, helping to fuel the current drop of home values.

While neither of these forces are truly a part of the natural marketplace, they do wreak temporary havoc in the housing market. Whatever the politicians, banks, Wall Street investors, or regulators do in the near future to try and fix the mess they created will further artificially affect the market. The affects may work in your favor or against you. All you can do is be ready and act quickly when they happen.

## #2 Location

The importance of location has been beat into a cliché, but is still very true. Before you were a seller, you were the buyer of this home. If you picked a location that turns out to be in high demand when you want to sell, you are deemed a genius. The opposite is also true. If you purchased your home in a location that now no one wants, well you will struggle to get rid of it. You have (had when you purchased) control over your home's location; a broker does not.

Demand for a particular location can be for economic reasons (job growth), or psychological reasons (living in Aspen or some other highly desired lifestyle location), but most of the time it comes down to jobs availability. Location is the second most influential factor causing a home to sell or not sell.

## #3 Condition (Marketing)

This one is solely on the home seller and the most important factor that you have direct control over.

*"This one is...the most important factor that you have direct control over."*

There are three distinct segments to "condition", and you will need to optimize your market position in each before you place your home on the market, if you wish to maximize your price and minimize your time on the market.

Before you invest a penny in preparing your home for sale, you should truly consider discussing your sale strategy with

a professional **real estate marketing company**. Please don't confuse a real estate marketing company with a real estate broker. These are two completely different companies with two completely different skill sets.

You really should read the article linked above about real estate marketing companies, but if you are in a hurry, the short description is that of a marketing professional who researches and determines your most likely buyer, what their particular wants and needs are, and how you can meet those wants and needs better than your competition. This maximizes your price.

Selling a home is a serious business venture. Only after you understand how to differentiate your home from all the others in the marketplace, based solely on the needs of your most likely buyer, should you then determine how to best prepare your home for sale and invest your time and money. Otherwise, you may well have failed to maximize your sale price before you ever hit the market.

Again, all of the steps under factor three, particularly marketing research, must be done before you ever place your home on the market. Doing anything else will cost you lost time and money.

The second segment of factor three is the general condition of your home. Over the last ten years, have you completely maintained the property? Have you remodeled or updated major rooms like the kitchen, bathrooms, or the family room?

Sellers have complete control over the condition of their home, not a broker. As a side note, no amount of "**staging**" will create a sale if your competition has truly remodeled and maintained their homes for sale and you have not; think something about "a pig with lipstick".

Staging is best suited to a nice home, which needs a little buyer appeal. If your roof has caved in and there are three dead cars hidden in six feet of over grown weeds in your front yard, placing a new "welcome" mat on your porch is not going to bail you out.

The third segment of factor three is **making your home meet the needs and wants of your most likely buyer**. This sounds a lot like segment one, the marketing research to discover who your most probable buyer is, what their needs are, and even more importantly what their wants are. Except at this point it's time to determine where you will invest your time and money to set your home apart from all the others on the market based on those previously defined wants and needs.

Hiring a marketing professional in the first segment allows you to define your buyer; segment three is actually doing the improvements necessary to capture that buyer, based on an investment and cost return analysis.

Remember, there are a lot of homes for sale, and just a few ready and able buyers available. You need to set your home apart from all the others, and this may well mean some investment on your part. Other-

wise you may be just another one of many homes buyers cross off their list each week.

Real estate markets move in relatively long cycles, often lasting 5 to 10 years between the top and bottom of each cycle. Some years from now we all may be back on the top of the cycle, and you may get by without so much effort.

When factors one and two are heavily in a seller's favor, then their property will sell regardless of the home's condition. There will simply be a spread in price between what the market will pay for a perfect home versus a home that is "dated" and/or needs repairs.

But until that day comes, you really need to understand what really causes a home to sell, and put to your advantage how much money a real estate marketing company can make for you in today's market conditions.

#### #4 Price

The seller is completely in control over the *asking* price, not the real estate broker. However, and sellers aren't going to want to hear this one, buyers are in control of the actual *selling* price (see factor one). And buyers' set their prices based on jobs, migration into or out of the area, and artificial incentives offered or withdrawn within the marketplace.

Pricing can compensate for any and all of the first three factors. If the market is down and/or your house needs work and/or is in a low demand area, you can still procure an offer with a

lower, competitive price.

Conversely, if the market is booming and/or you are located within the "in" location everybody wants, you can sneak out a little extra equity on a deal with little effort.

Brokers do not set prices (please re-read the first paragraph in this section again). A broker can do nothing but pull comparable values and let the seller know what the market has done and is currently doing. Today, **your pricing research can all take place on the internet** and you will not need anyone to pull the data for you.

#### Stop And Think For A Moment

In a quick summation, of the first four factors, nobody directly related to the home sale had any real control over factor one, the most influential factor in generating a sale. The seller had control over factors two and three, and the demand from the current pool of buyers, defined as "the market", has control over factor four, relating directly back to factor one. Real estate brokers have no control over any of these first four factors that cause a home to sell.

#### #5 Market Exposure (Advertising)

The world has changed. In the old days real estate advertising meant classified newspaper and local home magazine ads, open houses, brochures with the requisite "glamour" shot of your broker on it, and jamming flyers in your neighbors' front doors (again with the requisite glamour shot of your broker on it). Where did that glamour shot

thing ever come from? What possible benefit is this to either a buyer or seller?

The research paper titled **Why No One Is Buying Your Home** pretty well dispels any value these outdated tactics may have had, if they ever had any, in the marketplace.

Today your advertising had better mean INTERNET advertising.

When you want to know about something, where do you go: the internet. Factor Five is where the biggest change in real estate has already occurred, and where the entire real estate industry is being uprooted and the current inefficient system pressed into pure obsolescence.

The dissemination of information about homes for sale through the internet is where 75% of the change will occur in the real estate industry over the next five years. The other 25% of the change, how real estate services are performed, will adjust to the new business model forced by the way information is disseminated and being made far more publically available than it was when the broker MLS system held all of the power in the marketplace.

The means by which data is presented in the market will be far different than just having your property in the local **MLS**, which then publishes it to a few public internet sites of their choosing. That kind of control of your information by a tiny service provider will be substantially diluted within two years, and wiped out within the

next five years.

In current time **here's what advertising efforts work**: any/all internet advertising in as many locations as possible, the yard sign (local buyers still drive areas they dream about living in, usually right after they find your home on the internet), and publication in the local broker MLS. Your efforts of marketing on the internet should be extraordinary.

Now, more about the internet. The possible buyer of your home may live next door, but that is a small chance. More likely, they may live in another part of your city, another part of your state, in Maine, Mississippi, or Alaska, or Japan, England, Russia, or China. You don't want your home just in the local MLS; you want it going international and on as many websites as possible, including those published in languages you don't speak.

### **A Really Important Marketing "Heads-up"**

If your property is not favored by factors one, two, and three, or if your property is negatively impacted by these factors AND you have not compensated for this by pricing your property accordingly (factor four), then factor five, advertising, will have no impact.

*"...you could pay a million dollars for a display ad on Google's home page and still never sell your home."*

In other words, if economic conditions are poor, your location is not in demand, your house that

was built in 1978 is perfectly in vogue for a disco party today, and you are priced at the top of the market, you could pay a million dollars for a display ad on Google's home page and still never sell your home.

Advertising only works if factors 2, 3 & 4 are properly aligned for the marketplace (factor 1), or the first three factors are fully adjusted for within the asking price, factor four.

If you really want your home to sell for its maximum price, you and no one else are responsible for dealing with the factors that cause a home to sell. And again, the major factor that you as a home seller have control over is factor three. You should understand all six factors that cause a home to sell, and prepare your home for sale before you actually place it on the market. Your best chances of a sale come early on, be ready from day one.

### **#6 Contract Negotiations & Contingency Management**

Don't be fooled, this final factor makes or breaks many sales. As difficult as it is to get somebody to sign on the bottom line of the **offer to purchase contract**, it is even harder to get him or her to closing.

There are emotions involved in negotiations of pricing, inclusions, timing issues; and then there are major contingencies to overcome such as inspections, appraisals, and loan approvals, any of which can kill your deal. Here it is helpful to have an experienced third party, such as a broker, working to oversee the negotiations, contract dates,

and contingencies.

### **The Future of Real Estate**

The greatest changes in the real estate industry have come from the dissemination of information about the properties into the marketplace. The open information and knowledge available in the marketplace has empowered both home sellers and home buyers. The greatest changes yet to come in making a home sell in the future will also be from the dissemination of information about properties into the marketplace, all via the internet.

How information about homes for sale is disseminated into the marketplace will completely reshape the entire industry in just a few short years, and save you a lot of money in the process.

If you were to jump ahead five years from now to view how real estate is marketed and how real estate services are provided, you would be utterly amazed at the effectiveness and efficiency of the system compared to right now, and you would be astounded how inexpensive it will be.

As the real estate marketplace evolves, be sure to take advantage of the wonderful information available to you, and also take advantage of how new business models in real estate can save you substantial time and money, and simply do a better job of helping you to sell your home.

### **My Plumber Did My Surgery**

The future of real estate is coming faster than you might imag-

ine, but it's not quite here today. So how do you most effectively market your home and save a bunch of money in the interim?

First, understand that of the 2.6 million brokers licensed nationally, or the 50,000 or so here in Colorado, very few are true professional marketing experts. Brokers are trained to show houses, fill out contracts, and negotiate deals. So make sure you are hiring somebody with outstanding skills in marketing, and who uses effective, cost efficient internet advertising techniques. Demand the best internet exposure possible.

Secondly, pay only for what your marketing professional or real estate broker actually does.

Think back to the six factors that make a home sell. No one involved in a home sale has any control over economic conditions, the most influential factor in making your home sell. Your home's location is now set and you cannot change that. As a home seller you are in complete control of the condition of the home, but you really should consult with a marketing expert on how you can use that to your advantage in the marketplace. In reality the buyers, as guided by factor one, economic conditions, set the sale price of your home.

Focus on what you can control as a home seller. Hire the best marketing professional you can for factor three, listen to their advice, and let them professionally design an advertising campaign for you in factor five.

Get a skilled broker for factor six. Can they be the same per-

son managing your marketing research and advertising? Sure, if they are truly skilled at both marketing and real estate sales. If not, don't pay the same person to do both: you wouldn't pay your plumber to do your brain surgery; on the other hand, don't expect your surgeon to design a plumbing system in your home to meet building code; you'll end up needing a really big plunger.

### In Summation

Nobody involved in a home sale has any real control over economic conditions, the most influential factor causing a home to sell. You, the seller, cannot now change the location of your home, but do have complete control over your home's condition (including **how well it meets the wants and needs of your buyer**), and you have control over the *asking* price of your home.

Hire someone skilled in marketing to guide you before you ever place your home on the market. Have your home placed in as many locations on the internet as possible, get a cool looking, attention grabbing sign, and place your home in the realtor MLS. This short list of marketing and advertising tactics directly above are **where buyers actually find the homes they purchase**. Finally, watch the negotiations and contingency management closely. Think business-like, and don't let emotions crash your deal.

**Note to changes:** this paper was originally written in late 2006. It has been most recently updated for this 2009 publica-

tion. Market factors and the impact the internet is making on the real estate industry continue to evolve. How you market your home must perpetually evolve also.