

## What is the Purpose of a Price Reduction?

Let me start with an analogy. I am a football fan and I find it fascinating that the game has gotten *so* complicated that coaches roam the sideline with huge, color-coded charts telling them what to do in various situations. For example, after scoring a touchdown, *should* they try a 2-point conversion or just kick the “extra-point”?

Many Real Estate agents have a “mental” chart that they use when a house is NOT selling. Unfortunately, most of them have a “one-size fits all” answer: **REDUCE THE PRICE!** While circumstances may require a price “adjustment”, lowering the price is *not* a universal cure: it may accomplish nothing and it costs money. I wonder how many agents told a Seller that their initial “asking price” was reasonable only to have to admit later that they thought it was too high?

To be effective, *any* price reduction **has to accomplish one of two things** (doing both is even better). Otherwise, you may literally be wasting money!

- *Would* the proposed *lower* price make your house more *attractive* to prospective Buyers already looking within your local market and price-range? If there are 10 houses similar to yours, would a *lower* price *motivate* someone to want to see yours *earlier* in the “shopping stage” or make yours more *appealing* as compared to your competition? For example, if your current price is \$259,900, what is the next *lower*-priced house? A reduction should have a *strategy*!
- *Would* the *new* price “introduce”/ “expose” your house to an *entirely new* group of prospective Buyers who may not otherwise even know your house is available for purchase? Using the example above, what impact does reducing to \$250,000 have as far as attracting new Buyers.

Obviously an agent and a Seller **need to know the local market (the “competition”)**: reducing the asking price costs **REAL** dollar\$ which may impact a Seller’s plans. That being said, a Seller should be able to discuss *strategy* and make (or not make) an *informed* decision BEFORE giving up their hard-earned money.

Simply *lowering* the asking price, especially if the real issue is poor or ineffective *marketing*, may not change anything! If the marketing is *ineffective* (meaning that agents and buyers are *not able to find* your property in their search results), few if any may even know you lowered your “asking price”. **Guess what happens next?** An agent may suggest that the reduction was not sufficient and ask for more!