

Listing Mastery™

Scripts - Session 5

Mastering Price Counseling



To your Achievement of Excellence in Life

SCRIPTS FOR PRICE COUNSELING

Script: Motivation scale

Associate: *Bob, so I can serve you best, on a scale of 1-10, the 1 being low and the 10 being high, with a 1 being it's okay if you don't get your price and don't sell, 10 being you absolutely have to move no matter what, where would you place your desire to sell?*

If they give you anything less than a 7 then you have more work to do.

Bob, is there anything you can think of that would change your number from a _____ to a 9?

Script: Pricing Pyramid

Associate: *The National Association of Realtors has found the selecting of the price influences the pool of buyers that you attract.*

The pricing strategy is really a decision to be made based on the pricing pyramid. Even if we were to price your home at what we know is fair market value, we are only going to appeal to the top third of the pyramid. As we go progressively above that our pool of buyers continues to shrink.

The real question is how much of the buyer pool do you want to appeal to?

Are we trying to appeal to a large audience or a very small audience of buyers?

Associate: *Bob and Mary, when you purchased this home, you probably compared it to all the other homes for sale, correct? You probably also made decisions to look at properties based on how you felt about their value compared to their asking price and the other replacement properties, am I right?*

Associate: *When you bought this home _____ years ago, there was education for the buyers but not even close to the level of today. Today's real estate buyers are extremely educated. They really conduct research, learn the market and market trends, evaluate and examine their options. They choose the best values to make an offer on. They will spot an overpriced property a mile away. It will just cause them to cross us off the showing list, is that what you want?*

We have discovered through our research that buyers will engage in specific actions based on the asking price of your property. Some those actions are good for sellers, others are poor for sellers. Let me explain our findings.

Script: Overpriced Danger Zone

Associate: *Bob and Mary, here is my concern. We are experiencing in the market what I call an Overpriced Danger Zone. We have a real estate market in your segment that the new listings are higher than the sold or pending properties.*

Because of this we are in a potential danger zone of not getting your home sold, or taking much longer to get your home sold because the number of sellers is going up and the pool of buyers is going down.

We must select an initial asking price that is close to the market value we both agreed on.

Script: Stair Step of Price

Associate: *One of the challenges with overpricing initially is you might be caught in the Stair Step of Price. When the time elongates for a seller, the urgency is reduced for the buyer. The first questions most buyers ask is, "How long has it been on the market?" When that market time reaches a certain point:*

- 1. Buyers' motivation and urgency is reduced.*
- 2. The second question is, "What's wrong with it?"*
- 3. The buyer starts to look for something wrong to justify the days on the market in their mind.*
- 4. Lower offers than normal*

The property typically sells for less than it would because all urgency has been lost.

- What are your thoughts on that outcome?*
- Is that what you want?*
- Do you see how this can happen?*

Successive price reductions reduce the level of agent and buyer confidence in your home.

Script: Another Agent Will List it Higher

Associate: *Bob and Mary, frequently agents will tell the client what they want to hear in hopes of securing the listing. Then what happens is they begin the long process of beating the client up on price to get them down to the zone where a buyer will start to seriously look at the home...is that what you want?*

What would you do if I quoted you the highest list price but you didn't think I was the most capable agent? Would you still list with me?

If yes: *Wouldn't you then be overpricing your home by the largest amount with the least competent agent? How would that affect the odds of you accomplishing your goals of _____ and _____ and _____? Is that what you want?*

Script: We Have an Appraisal that is Higher - Time

Associate: *Bob and Mary, there are three very important things to consider with an appraisal. The first is when was that appraisal done? Because real estate is cyclical the timing of when that appraisal was completed and the state of the market at that time is important. Would you tell me when the appraisal was conducted?*

How long do you think an appraisal is good for?

If the appraisal is old or way off:

An appraisal is a snapshot in time. For example, if you had an appraisal done in 2003 and you had decided to sell your home in 2006, would you have sold it for the same price as the appraisal?

The truth is, for an appraisal to be valid it must have been recent. The market changes over time so the farther we get away from the appraisal date and the comparable sales the less valid it is. Does that make sense?

Script: We Have an Appraisal that is Higher - Purpose

Associate: *The second of the three factors is what the reason for the appraisal was. Again, appraisals can vary based on why the appraisal is being conducted. What was the reason for the appraisal?*

Typically we find that for divorce cash outs, insurance, and refinancing tend to come out above the fair market value mark while new mortgages from a sale, tax assessments, appeals and divorce buyouts, for example, tend to come in below fair market value.

Script: We Have an Appraisal that is Higher - Comps

Associate: *Finally Bob and Mary, the comparable properties that were selected can influence the quality and validity of the appraisal. Because banks no longer can select the appraisers they use, they come from a “take turns” type of system. I have seen appraisals from appraisers who do not even activity work our area.*

They can pull an appraiser from _____, which is _____ away. These appraisers are not experts in the local market and make their opinion of value less valid.

Do you see how an out of area appraiser might not have the most valid appraisal?

Script: The buyer can make an offer

Associate: *Bob and Mary, a qualified offer can only be made if the qualified buyer sees your home. The challenge is most buyers look at what they can afford and a little over. They focus on the price range. By overpricing your home you put it in a price parameter that the right buyer won't be looking for it.*

The wrong price just attracts the wrong buyers. The buyer who it's right for and can afford it won't see it. The buyers who will see it won't be interested because of the opportunity to buy a home with a better location and amenities. Is that what you want?

Script: Couldn't we just try it for awhile?

Associate: *The greatest amount of market activity happens in the first few weeks. When we come on at a price that is too high we use the best activity time up when we are out of the pocket on price. If we lower the price later the level of urgency and excitement has passed. I would recommend pricing as close to market value as possible. What are your thoughts?*

Associate: *What happens when we are priced too far away from fair market value is that we could lose the buyer in the "showing stage" versus the "negotiating phase". This happens because many potential buyers never even look at your home because they are looking at homes in the price range they can afford. Let me use my negotiating abilities to get you the best possible price in today's market. Let's not lose those potential buyers in the showing stage by being too high. How does that sound?*

Pricing Scripts:

Associate: *Bob and Mary, you are in control of this process. What you decide to list your home for will determine the timing of the sale, and how enthusiastic the buyer is about your home. I can't make the buyer pay you what you want anymore than I can make you take what a buyer offers. You're in control and have final say on how marketable you make your property.*

Associate: *Bob and Mary, in today's marketplace, your price needs to be compelling to bring attention to your property. The market will tell us in just a few weeks if we are appealing or not. If we have no one showing your home or if we have showings but no offers, the market is giving us strong indication that we need to make a change...okay?*

Associate: *As you can see _____ and _____, if you had purchased your home years ago you would be able to sell it for more than you paid for it. The challenge is that you bought your home _____ years ago. We both know that the market has softened since that time. Can you see how this market information can help us price the home so it will see in today's market?*

Associate: *Mr. and Mrs. Seller, in the end 80% of the marketing of your home is done right now where we select the right price. If we come on 10% over value, I could invest thousands in marketing costs, I could run a Super Bowl ad for your home, and it won't sell because of being overpriced. Selecting the right price is what makes or breaks marketing.*

Price Reduction Scripts:

Associate: *Mr. Seller, as I mentioned when we first listed your home for sale, an important part of my job is to closely monitor the market. In doing so these last ___ weeks I have some important data I want to share with you that is impacting our ability to get your home sold. Are you available this afternoon to discuss it?*

Associate: *When we go out to buy a home are you, as a buyer, going to be concerned with what the seller needs to net? Don't you think most Buyers are going to feel the same way you do?*

Script: We paid more for the home than we going to get.

Associate: *Mr. and Mrs. Seller, I can appreciate and understand your frustration. Let me see if I understand. You are saying that the value of your home should be based upon the cost of it? Do I have that correct?*

Okay; then let me ask you, if you had been fortunate enough to inherit the home, that is, you paid nothing for it...what would you try to get for it today?

I am curious why you didn't have to pay anything for it? So what you are saying is the cost or what you paid for it, really doesn't align with the value of the home. Do I have that correct?

Script: We need to get more money

Associate: *Being effective achieving a successful sale for you is more challenging when the need for more money is driving the asking price. How much more do you really need? Why do you need that extra money? So if for some reason you are unable to get that extra amount what will you do?*

If you found a home that you wanted and it was _____ overpriced, would you pay the extra amount if you knew the sellers really needed the money?

Pricing scripts:

Associate: *Bob and Mary, the buyers of today have access to the same data and information that you do. Buyers are more astute than ever before. We have to be realistic based on the knowledge base of all buyers. Should we rethink our initial asking price?*

Associate: *I am confused; I thought our goal was to be moved in _____ months. Your initial asking price will decide how long you will be on the market. You are the ones selecting the price. Do you think we should reconsider it?*

Associate: *Mr. and Mrs. Seller, as you can see the market is depreciating at about _____% per quarter. It has been at the pace for the last _____ months. In order to put more money in your pocket we don't want to be for sale in _____ months. It's my recommendation to place your home ahead of that market trend so in 60 days we aren't chasing the market down.*

Associate: *Bob and Mary, as you can see the marketplace is declining at _____ per month and it has done that for the last _____ months. In markets like today we need to get in front of the declining trend. Because of this trend it is dangerous to price your home higher than the last sale. The better strategy is to price just under the last sale so you are ahead of the market. If you don't we might end up in a situation where we are chasing the market down. We don't want to get caught behind the market, do you?*

Associate: *Mr. and Mrs. Seller, I may not be the agent that actually sells your home. But please be assured that I will be the reason that your home sells.*

Associate: *Bob and Mary, I can't control what other agents will do. I might not show your home as frequently as some other agents. Please know that when I do show it, it will be to someone who is a "real" buyer; someone who is earnestly looking for a home. It's the focus of quality versus quantity; is that acceptable to you?*

Associate: *Bob and Mary, I list properties for 6 or 12 months. You don't want the 12-months agreement, correct?*

I typically list a home for 6 months or a year. I am giving you the option to pick. I thought you would like 6 months so I made our agreement out for that timeframe. We could do it for the year if you prefer.

Associate: *Is your desire to achieve a certain price greater than your desire to sell?*

Associate: *Mr. and Mrs. Seller, you indicated that you want to be in _____ within _____ months. There are currently _____ homes on the market in your range with _____ buyers per month buying in your price range. Because you want to be in _____ in _____ days it means we will have to find a buyer in _____ timeframe, because it usually takes 30 days to work out the financing, inspections and closing. We really need to look at pricing your home at _____ to get you move in your timeframe.*

Associate: *Mr. and Mrs. Seller, in getting your home sold we really have not one, but three sales to make. The first is to the agent community. They need to be excited enough on the price to show their buyers. If we are too far away from the value they won't want to risk looking foolish to their buyers.*

The second sale is to the buyer who will compare the value of your property to the others they are looking at in the marketplace.

The third is to the appraiser for the bank. Even if we were lucky enough to get a higher sales price from the buyer, the appraiser is going to value the property based on recent sales. Let me ask you if you were a buyer and an appraisal came in lower than your agreed upon sales price with a seller, what would you do? That's what happens usually. The transaction falls apart and we start over again. How would you feel if that happened?

Associate: *It doesn't do us any good to list the home at a price where it's not going to sell. All that will happen is, you will continue to make payments for the next 6 months and you will go through the life hassle of trying to sell your home. The listing will expire and then you will list with another agent at a lower price. The whole experience will leave a very bad taste in your mouth about me and agents in general. I'm going to tell you the truth. I realize it's sometimes tough to hear. I am just asking that we have an open dialogue and share what we think, does that sound fair?*

Associate: *Let's look at the research again and then we can come back to talking about your feelings on price.*

Associate: *If your home isn't priced correctly then the buyers who can afford it won't see it. It's basically invisible to them. The buyers who can afford it won't want it because they are going to perceive the home as a lesser value.*

Associate: *The real estate agent working with buyers doesn't determine what they buy, but they sure determine what they see. If your home is overpriced it won't make the showing list.*

Associate: *Remember, _____ and _____, many of the times we do improvements or add amenities they are done for our pleasure and don't affect resale value.*

Associate: *Most improvements are made for lifestyle and they might not fit someone else's lifestyle. The best part of improvements or amenities is that you've been able to enjoy them.*

Associate: *We have to get the buyer across the threshold of your home. That's the first objective, and then we can negotiate. If we price your home with too much negotiating room we won't be able to get a buyer to look at your home. We will have nothing to negotiate. We have to get them into your house first, and then let me use my skill in negotiating to secure the best price. Does that make sense?*

Associate: *I would rather reject 10 unacceptable offers than to not get one at all. Would you?*

Associate: *According to the National Association of Realtors if your home is priced correctly we should get one offer for every 10 showings, and in a normal market, we should get _____ to _____ showings per week. If we don't get showings the market is communicating and we need to adjust the price. Additionally, if we have 10 showings and no offers the market is communicating as well. We will have to look at price again as the issue.*

Associate: *If you had known that you would be moving would have you have done the improvements?*

Associate: *Improvements are typically "bells and whistles" that improve selection position or speed up the sale. Unfortunately they usually won't increase the sales price.*

Associate: *_____ and _____ I know you need the money. If it was solely up to me I would get it for you. I can't nor can any agent create the market. We have to respond to the market conditions. No one can get you that money. If I could I truly would, but it can't be done...I am truly sorry.*

Associate: *If you do wait until the market goes up so you'll have enough equity to move to a higher priced property, the reality will be the higher priced property will have appreciated as well. You will be faced with the same situation with potentially a higher interest rate. If we could figure out a way to get you into the higher priced property while still selling your home at the best price the market will bear, would you be willing to consider that?*

Associate: *Let me check with you here; if we can come up with a price that makes sense to you are you ready to proceed forward and list your home?*

Associate: *I can't tell you what your home is worth. Instead, the market determines value, just like any other market. Then together as a team we determine the price you want to offer to the marketplace.*