


Pricing a property is not an exact science

By  Ronald Ennik

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What is the right price of a property? Is it the advertised price? Or 10% lower than advertised? Or even 20% lower? It could be any of these prices depending on various circumstances and how it's been marketed.



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There is a difference between online marketing and selling and the conventional full-service offering. Online is more two dimensional, with less negotiation, less backward and forward. Whereas the traditional process is more complex with various processes attempting to create a platform of competition generally resulting in higher prices.

If a property has several buyers interested in purchasing it, then just as people are attracted to a busy restaurant, the increased interest will result in a higher price. Thus, online marketing has more traction at the lower end of the market. Traditional full-service programmes suit the middle to upper end of the market. It is intriguing to see certain online real estate services offering 'attractive savings' to home sellers when they discount their commission. Savings off what value?

Ultimately different prices

Different selling (and commission) philosophies offer different processes and ultimately different prices. The full-service traditional estate agent (normal commission structure) will bring negotiating skills and a range of marketing activities to the table. These will be used to encourage the seller down to market value or the buyers up to the seller's expectation.

Optimum price is best achieved when a full service, hands-on, preferably sole-mandated, estate agent builds and orchestrates a platform of competition among interested buyers. The competitive (fear-of-losing-out) tension that arises among the potential buyers as a result could make a difference of 10% to 15% on the final sale price achieved. Ensuring a higher net price for the seller even after 5% commission is deducted.

Which leads me to the point that as a buyer, I might achieve a better deal buying through a discount agency than the traditional agent (5% commission)... less pressure, less negotiation, lower net for the seller and less commission paid.

Frankly, it is dangerous for the seller to assume that a low-cost home selling portal – punting a low commission – will sell a home at the same price as a full-service, hands-on, real estate agent or agency.

Discount commission agencies could ultimately, through underselling, have a negative effect on the average price in a suburb. These discount 'attractive savings' real estate services benefit buyers, rather than sellers. Is this good for property prices?

Advertising that a seller "saves X rands" if they use an online discounted commission service is misleading!

ABOUT RONALD ENNIK

Ronald Ennik is the founder and CEO of Ennik Estates.

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