

# Correct pricing vital in buyer's market

According to Debbie Justus-Ferns, divisional manager of Renprop Residential Sales, the current buyer's market coupled with a sluggish economy has made correctly pricing a property paramount to a sale happening at all, never mind within a reasonable amount of time.



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She highlights that overpriced properties do not sell in this market and therefore serious sellers cannot afford to over-price their home in the current conditions. “Testing the market in order to ascertain what buyers would potentially be prepared to pay is not advisable for any seller right now,” she says. “This strategy will often put any prospective buyers off as they have other properties to choose from. As a result, an overpriced property will just end up promoting the purchase of a comparative or similar property that is priced correctly.”

While the market is suburb and even property-driven at the moment, Justus-Ferns says that on average, properties under the R2,5m mark that are priced right are taking between eight and 12 weeks to sell. Properties priced higher than this are sitting on the market for longer.

Justus-Ferns notes that there are a range of influencing factors when pricing a home correctly to sell. One of the main factors that sellers need to bear in mind is that the market is extremely price sensitive at the moment in certain parts of the country.

She says that there are five top considerations when setting the selling price of a property:

## 1. The location and type of property

While everyone knows location is important, in this kind of a market it becomes even more so, and properties close to amenities, schools and business hubs will more than likely experience a higher level of demand.

“The kind of property also makes a difference to the selling price,” says Justus-Ferns. “Whereas freehold properties have more flexibility when it comes to pricing as the style and condition of the properties vary, sectional title units are usually but not always ‘capped’ at a certain price.”

## 2. The market-related price

The market-related price refers to what an active agent in the area believes is a market-related valuation compared to the average price of recent sales concluded. This is often presented to the seller with deeds office statistics showing what other similar properties in the same area have sold for.

### **3. What the seller thinks the property is worth**

This is always an emotionally-driven number as sellers often attach sentimental value to their property. Added to this, sellers also compare their property price to other properties they see advertised on the internet and in newspapers. They do not realise that those figures are what the property is advertised at, not what it actually sold for. Therefore, a seller's figure is almost always more than the price that an estate agent will recommend the property is marketed for.

### **4. The actual value**

The actual value of any property is the price which a willing and able buyer is prepared to pay. "Buyers determine the price in this current market," says Justus-Ferns who points out that buyers are also shopping around as there is more stock available from which they can choose. "Therefore the actual value of a property for sale is influenced by other properties currently on the market in the area."

### **5. What a financial institution is willing to lend to a qualified buyer**

Should the sale not be a cash offer, this is perhaps one of the most important considerations when setting a selling price. "Aside from taking into account the risk of the loan, the bank will also determine the value of the loan based on the property for which they are providing finance in addition to the buyer's affordability requirements. If a home is overpriced, buyers will often not be able to get a home loan close enough to the price of the property."

Justus-Ferns says that in this kind of market, serious sellers need to be very careful of their pricing strategy if they want to sell their homes within a reasonable time frame. She also points out that the value of a professional real estate agent in the current property climate cannot be highlighted enough. "Real estate brands do not sell houses, professional agents do. This is because they know the area that they operate in and they are able to give sellers sound information to help them make the best decision. Sellers would do well to thoroughly check out the credentials and track record of the agent with whom they want to work, no matter which brand they represent," she concludes.