

*Trigger Point Method*  
**Pricing to Sell**



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# PRICING TO SELL

Sometimes a variation in the list price of your property is necessary. Now, if you've engaged an inexperienced (or dare I say it, unfocussed) agent who chooses the wrong time to vary the price – or to even neglect variation when it's really necessary – it's fraught with danger.

Not surprisingly, there is an optimum time or circumstance to vary the list price of a given property and it's a decision that shouldn't be taken lightly. To gain an understanding of the decision making process, you need to know a little about the life cycle of a real estate marketing campaign.

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## PRICING TO SELL

When your property enters the market for the first time, it's as if a light bulb has switched on over buyers' heads. Really! Suddenly anyone interested in real estate like yours becomes aware there is a very real possibility that they can put in an offer and potentially own your property.

In those early weeks of marketing, competition for your property is at its most intense.

It's most likely that at this time, genuine buyers will make the highest offers on your property. After all, they won't want to miss out on it, owing to competition from other eager buyers.

But what happens if you're underwhelmed by early offers or worse still, receive no offers at all in the first few weeks?

In all honesty, at this stage it may be necessary to look at the possibility of varying your asking price.

This is another area where the value of having a great real estate agent and a clear company strategy on your side can really pay dividends.

It's important not to vary the asking price too early.

If you do, you run the risk of being perceived as overly keen to sell quickly and worse still, willing to sell for virtually any price. This is to be avoided at all costs, I'm sure you'll agree.

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# NO OFFERS RULE

It's equally important not to leave it too late to vary the asking price and here's why:

The longer your property is on the market at a consistent price, the more likely it is that interest will fade away until your property is perceived by an increasingly savvy marketplace as either unwanted or overpriced.

Qualified buyers lose interest and instead move on to other properties in the marketplace that are more realistically priced.

The potential for selling at the best price will evaporate before your very eyes.

Research with many satisfied sellers tells us that there is a simple three-point rule indicating the appropriate time to vary the asking price.

I call this rule the *No Offers Rule*.

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# NO OFFERS RULE

Importantly, there are two conditions that must be met before this rule can be applied.

- 1.The property must be well-presented; and
- 2.The property must be professionally marketed to attract the attention of all current prospective buyers in the price range.

Your agent should provide you with a customised marketing proposal that includes a detailed media schedule.

Provided these two conditions are met, research indicates that residential real estate achieves its best price where the asking price is varied, only when there have been:

- 3.Two advertisements and no response; and/or
- 4.Over three hundred virtual inspections of your website listing and no physical inspections booked; and/or
- 5.Five highly qualified buyer inspections at your property and no offers.

On around day twenty one (21) of the marketing program if need be your agent should arrange a face-to-face meeting with you (the seller) to “review the progress of the marketing” and consider the above rule.

## The Key

Engaging a professional real estate agent who has their finger on the pulse of your marketing activity will pay real dividends when it comes to the timing of any price variation in the marketing campaign.





## NOT GETTING FEEDBACK?

Silence is not always golden when it comes to selling your property.

What I mean by this is; sellers often confuse no offers or feedback from buyers on price as an indication that either the agent isn't doing their job right (i.e. encouraging buyers to make an offer regardless of the list price) or the magic 'right buyer' hasn't come along.

The reality of receiving no feedback on price or offers is that it's usually because the buyers that are currently inspecting the property (online or at open homes etc) have a different expectation of what they will get for their money.

That is; a buyer's initial enquiry on a property is usually based on a limited amount of information. In fact, industry experts have determined buyers use just three pieces of information to make their initial selection before enquiring further on a property advertised.

They are: location, price, bedrooms.

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# NOT GETTING FEEDBACK?

So the list price is really no more than a flag or indicator to the buyer that there is a potential match. The list price is merely a marketing tool. Now that the buyer has flagged the property as a potential fit, they'll inspect it with a degree of hope and expectation.

If however the property turns out not to be a perfect match, no offer will be made nor will they provide feedback on price.

In this situation the buyer has a greater expectation. In most cases it's not a matter of putting in a lower offer; the property is simply not suitable so they'll walk away from it.

Now if you refer back to the No Offers Rule, if after several inspections no offer or feedback is forthcoming, it indicates that the price is attracting the wrong sort of buyers. That is; buyers with unrealistically high expectations.

## **At this point you have 3 options**

1. You could do nothing and wait for either the right buyer to appear or the market to increase; or
2. You could invest more money into advertising the property. Consider pictorial advertising at this point; and/or
3. Look at an adjustment to the price as this will most likely place the property in front of more buyers with hopefully a matching expectation in the current market.

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# A SIMPLE WAY TO PRICE

To help plan your pricing consider using something like the *Trigger Point Pricing Method*. This system provides a simple to use guide for home sellers.

This method is designed to help home sellers take control of pricing their property. It is a guide. It should only be used in conjunction with a CMA. Please seek advice from your agent before attempting to price a property yourself.

As the name suggests, the Trigger Point Pricing Method™ is about discovering in a step-by-step fashion the point at which buyers consider the price to be within market value.

When a price is set reasonably close to market value, motivated buyers tend to act more swiftly and are in fact less likely to submit low offers as they feel the potential threat of missing out on the property.

When a property is overpriced the reverse happens, that is; you'll either receive no offers at all, or they will be very, very low offers.

In fact, done the right way, Trigger Point Pricing™ can create an auction-like effect which drives up the price of your home and helps you to sell faster!

How? Well, this results from two or more buyers vying to buy your property; and if this occurs make sure your agent has each buyer sign a 'multiple offer acknowledgement'.

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## TRIGGER POINT PRICING™

The 'multiple offer acknowledgement' is basically a disclosure that there is another buyer making an offer. It encourages both buyers to make their best offer as they may not receive a second chance. It's crucial that the agent does not reveal the details of the buyer's offer to each other.

**Firstly:** you'll need your agent to provide you with a CMA. Ideally, your CMA will help you to establish a realistic; 'Best Case', 'Likely Case' & 'Worst Case' sale price scenario. Note: *some properties are more difficult to appraise due to a lack of comparable sales available in the past 6 months.*

**Secondly:** you'll need to decide on an initial list price (1st test price) to take the property to market with. How high (above the 'Best Case Sale Price') to set your 1st Test Price depends upon how fast you want or need your property to sell. As a rule of thumb, for a quick sale keep it within 3% to 5% of the 'Best Case' price. If you have no real need to sell quickly, you could try between 5% and 10% above the established 'Best Case' scenario. The trick here is being honest with yourself. You must realise the higher you go, the more you'll increase the chance of overpricing, which could have a severely negative effect on the final outcome.

**Thirdly:** monitor the marketing and enquiry activity. After, say, 21 days if no offer has been made, follow the No Offers Rule™ (above). If it's appropriate adjust the price by around 5% (again this amount will depend on the price range you are in, in other words the adjustment may need to be less or more). Refer to the Trigger Point Pricing Method diagram above.

**Fourthly:** if you are still struggling with getting offers, either try more advertising to increase the property's exposure or repeat the third step above.

### Did you know?

**That home buyers often purchase property way above their original budget? We see buyers regularly spending 10% to 15% more than their original upper limit.**

**That's why the first few properties a buyer looks at usually fall below their expectations. This is part of the buyer education process.**



# WHY IS PRICING SO DIFFICULT?

Firstly, you need to understand that ‘similar properties often don’t sell for similar prices’.

But why is that?

There are five (5) key factors that have an effect on the sale price of a property. They are:

1. The motivation of the seller;
2. The motivation of the buyer;
3. The market at a micro level;
4. The quality of the marketing;
5. The agent’s negotiation skills.

## **In Summary**

Before you can make an informed decision about what price to list or sell at you need to understand that motivation, marketing and your agent can have a positive or negative effect on the outcome of a sale.

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## WHAT'S NEXT?

We're just a call away. Why not call to book your strategy session where we'll discuss the nitty gritty of getting your home prepped to sell at a premium price?

It's probably far easier than you think.

### **Our Office**

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