

PULSE ^{OF} THE MARKET [©]



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The Art of Selling - Revisited It's About Love!

Pulse 46

Introduction

The Art of Selling – *Pulse 34*, which I wrote in April 2005 was a strategy piece about a different market, at a different time. It focused on a number of recommended strategies to get the highest price for property sellers. One of my key issues in the piece, and this still holds true today and in any market, was that there is no one fixed market value for a home. If a Seller has five different agents, the outcome is going to be five different asking prices and likely five different selling prices. It's about how the agent works the process.

Since we are at a different time and in a different housing cycle, I thought I would revisit the subject of maximizing the selling price, this time from a different perspective. My current thesis.....It's About Love!

Prada, Gucci, Armani, Versace et al

What do these stores have in common? They make you feel really good when you walk through their doors. They know how to merchandise! They know how to seduce the buyer. They know how to influence the perception of value. After all, what makes one tie worth so much more than another is more than just the ingredients and appearance, as it is for most everything we place value on. Look at the context that gives meaning to the text. At these shops everything looks beautiful and the sales staff is trained to be informative, accommodating, and not at all overbearing. It's a pleasant shopping experience even if you don't buy something.



So if I am going to spend \$750,000 on a San Francisco condominium shouldn't I feel at least as good as if I were to spend \$75.00 or \$750.00 on a tie or a purse?

What's my point?

My point is that we are in a soft, competitive market, and if I am a seller, I had better merchandise and price my property at least as good if not better than my competition. I can't control what my suitor falls in love with, but I can influence the decision! Moreover, it does not matter whether I am selling a single-family home, a condominium in a two-unit building, or 100 units in a new tower on Rincon Hill. I take buyer clients out all the time and they have \$750,000 or more in their pockets and are ready to spend. They are ready and eager to fall in love!

Two examples of what not to do: I went to a very stately home last week to help a colleague price it – one that was already on the market and still sitting. This owner was entertaining a possible switch in listing brokers. This is a \$10 million+ property. It was, at least in my opinion, uninviting. Yes, it was staged but staged in such a way that there was no warmth or pizzazz. I left with the feeling that, in its current condition and presentation, it would be difficult to get a buyer to fall in love. There was nothing there to tug at the heartstrings.

It's not the house and not the price, it's the merchandising or the lack thereof. And I appreciate that the current owners may very well be in love with their home. But in this context, it's not about them but about the new suitors.

I am convinced that, with few exceptions, people buy their homes on emotion. They fall in love, just as they do at Prada, Gucci, etc. Homebuyers want to feel good when they walk through the doors, and if a property has imperfections, they are willing to look beyond those imperfections if "it feels good." I've had clients, at all price levels, tell me about how they "feel" either overtly or subtly every time. They may later rationalize their choice, but this is emotional stuff. It's odd how so many sellers don't get it, because they too were once buyers in love!

The other example was an incident at the end of a Sunday tour with a client last week. We had just walked out of a loft condominium, which was attractively staged and seemed to be priced competitively at \$879,000. He waived the property statement in front of me. The statement was in black and white and had about 17 bullet points down the center and an unflattering picture of the listing agent; that's it. He commented on how bad it appeared. Just the statement, forget about the property, was a turn off to him.

While we may disagree about why people assign value to such things, the same can be said for "first impressions" of any kind. People seem to put a lot of credence into such things, even though logic may dictate otherwise. While we can't control the choices of others, we can influence them with our own choices, which we can control. That property statement could have told a more inviting story.

Conventional Wisdom

The conventional wisdom in pricing homes is to look backwards as opposed to looking forward. Virtually everyone uses past comparables to come up with the listing price of a home, not to mention what price they should pay. But I submit that the strongest basis for such decision-making is not that the past has true predictive value. It is, however, all we really know. The future has a much more dynamic quality to it.

The business (whatever the industry) you do next month will depend on your product, your marketing, pricing, and your overall position within the competitive landscape – meaning, how you stack up against the competition.

I submit that the competitive landscape for a property encompasses many factors and collectively changes daily – yes, daily. Past comps may get you into the ballpark, but that's about it. If it is a \$1 million ballpark, then 5% or 10% can mean \$50,000 or \$100,000, and we are talking real money.

What can change in a day, you may ask? A competing property comes on the market down the street, another owner lowers his/her asking price, a developer announces a new development, the Fed changes the Fed Funds rate, a terrorist attack occurs in New Jersey, the Yankees lose to Detroit, and on and on. A lot can happen in a day, and unless the seller (read agent) is *anticipating* the market, then bad things can happen by just reacting. Taking it one step further, in anticipating a possible future we are also contributing to it, actually creating it rather than waiting for it.

Two stories..... This past spring I listed a condominium for \$895,000, which I thought was very competitive and the correct list price to seduce buyers. No one fell in love after two weeks so I went to my seller and convinced him to lower the price to \$849,000. The competition had not been doing any better. Competitive properties were just sitting. My reasoning was that I wanted to be the first to reduce the price. If my competition did it first, we would be playing catch up, and I don't like to play catch up (see story below). It worked, and we went into contract within a week.

Playing catch up: I had a listing on Nob Hill two years ago, and at the outset I was convinced that the right list price was \$1,495,000. No, said my seller, a very astute, high-level executive, who was convinced that it would sell for \$1,795,000. I should have stuck to my guns. After numerous price cuts and 17 months, I felt like a piece of sliced salami. It finally sold for \$1,200,000. Had we initially listed it for \$1,495,000 we would most likely have sold it for at least \$1.4 million, and my client would have \$200,000 more in the bank. Smart people make dumb mistakes. To be honest, it's not that I have a crystal ball.

The fact is that markets are dynamic with feedback occurring all the time, and some of us make it a habit to be more finely tuned to these nuances and stay on the front edge of the change. I would never tell my clients their business. And they don't hire me to tell me mine. Clients, on both sides, generally hire me because I do have a finger on the pulse of the market. While I can't control all the myriad factors that unfold, I can be "response-able" to those nuances and make decisions based on the present before it becomes the past.

The Buy Side

Each Monday, the New York Times has an amusing section called Metropolitan Diary. I read it religiously. An excerpt from the October 9th issue.....

Place: Walking south on Seventh Avenue and crossing against the light at 53rd Street.

Dramatis Personae: A young woman with two older – and what she took to be out-of-town – relatives.

As she steps into the intersection, she turns back to them and says, "Are you waiting for the traffic to show up?"

As I read this, I thought about buyers who are waiting for prices to come down. There are places in this country like Las Vegas, Orlando, and California's Central Valley where I hear prices are off 15+%. But if you read between the lines, there are reasons. Whether compensating for an inordinate high bump in prior prices or a market where there is room to make supply outpace demand, each market has a unique competitive landscape to read and engage with dynamically. San Francisco is my market. You read it here – prices will not crater in San Francisco. I tell my buyer clients that if they see a property they like, buy it: the long-term future for San Francisco real estate is very positive – it's limited supply and lots of demand. I don't think that any one can predict any market, whether it be the real estate or the stock market. But they can tune in to it and be response-able, which in many ways does look like magic to the less informed. Are automobile manufacturers really predicting what color car you will buy in five years when today's drawings show up as actual cars on dealer lots, or anticipating and influencing the future by controlling the parts of the equation they can? As with the story above, don't wait for other buyers to show up. Create your future today.

Current market update: Given all the media concern about the real estate market being in the tank, it is interesting to take note of San Francisco prices in 2006 compared to 2005, for the nine months through September 30th. The average condominium price declined a slim 0.1% from \$842,889 to \$841,569. The average price of a single-family home increased 3.2% from \$1,097,663 to \$1,132,991. Yes, transaction volume is down and unsold inventory is up, but average prices paid convey a different market picture.

Summing Up

So with some buyers sitting on the sidelines and lots of competitive product available (my MLS-generated Tuesday Tour this week was 50 pages long versus about 38 pages this past spring; that's about a 30+% increase, not including new product in SOMA), sellers need to pull out all the stops to attract buyers – forward-thinking competitive pricing and superior marketing and merchandising. Some product is selling quickly and above the list price, and when it does, it is a result of the agent seducing people to Fall in Love, one date at a time.

My contact information is below.

Some recent issues of *Pulse of the Market*:

- Pulse 45* - Being Big Has Its Issues
- Pulse 44* - Lessons from New York
- Pulse 43* – Diamonds & Champagne
- Pulse 42* – Buyer Motivations
- Pulse 41* - Ritz-Carlton, Fractional Ownership

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