

SHIFT TACTIC 7: SELLER PRICING STRATEGIES

PRICING YOUR LISTINGS TO SELL



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Notes

Perspective

When the market shifts toward a buyers' market, the listings sit! Don't let that happen to your sellers. While there are always three factors to getting a home sold—location, price, and condition—only two are under your control: pricing and condition. As an agent, your job is to deliver the one-two punch to get your listing sold for the most money in the shortest time possible.

- Price Correctly
- Stage Effectively

Pricing is vitally important in a shifting market. Without the correct pricing to attract buyers to the property, you'll never have a chance to show off the location and condition.

1. In a buyers' market, real estate becomes a commodity—and the only defining feature of a commodity is its price.
2. Only properties in good condition and priced right will sell in a buyers' market.
3. Price can correct bad condition—but condition won't correct bad price.
4. Correct pricing represents 80 percent of your marketing effort.
5. You don't want to waste your time—or your seller's time. In a competitive market, buyers have a lot to choose from and will not even look at overpriced properties, let alone make offers on them.

"Understand that only properties in the right condition and at the right price for their location are going to sell in a buyer's market."

– The Millionaire Real Estate Agent

TRUTH

Customers NEED you in a shifted market

How do
your sellers
feel about
you now?

Sellers are looking for agents who are not afraid of a shifted market and have the knowledge, skills, and tools to get homes sold. As one agent put it, “They really need me! They need my advice and my expertise.”



Sharing your agent-branded KW App?

1. Get the Keller Williams Real Estate app from Apple App Store or Google Play Store.
2. In the app, use “Agent Search” to find and select your name.
3. Toggle “Make this my agent” button to “Yes”
4. Use “Share App” to share with your contacts!

- Pricing strategies
- Market knowledge
- Buyers
- Fiduciary commitment
- Negotiation skills
- Knowledge of financing options

Be their guide, figuratively—or literally—sitting on their side of the table.

- Look at the numbers together.
- Show them what is selling on the market and what isn’t. Show them your own numbers—your listings sold and your average days on market.
- Be a realist. In a consultative manner, help people understand what they need to do to price their home to get it IN the market.

**Find More on
KWConnect.com**

What Are the Opportunities?

Your Opportunities

In a buyers' market, the buyers have control. To do business, you need to find motivated, qualified buyers—and the best way to find them is to have as many correctly priced listings as you can.

- The more properties you price correctly, the more buyers you will attract. The more buyers you attract, the more listings you can sell them.
- The more you sell, the more market share you will acquire—gaining name recognition, more buyers, and more listings!

Your Sellers' Opportunities

Be a realist, but be optimistic about it! While the bad news may be that fewer properties are selling, the good news is that *some* are.

- By selling quickly, sellers can maximize their investment and minimize their losses. Remember the dot.com bust? The people who got out right away generally did fine—it was the people who got out at the end who did not.
- This is an excellent opportunity to move up. By selling now, your sellers may have the opportunity to get the house of their dreams.
- If your sellers are relocating, the market where they are going to buy could be in a downturn as well—what they lose on the sale, they can make up for in the purchase.

Get Ready, Get Set, Go!

Shift happens! Market cycles are a part of the reality of real estate. The key is to be agile, and respond in a proactive, not reactive, manner.

In order to maximize your effectiveness as a consultant to your sellers and get their property sold quickly and for the best price, you will need to

Get Ready!—Study your market

Get Set!—Prequalify your sellers, update your listing presentation

Go!—Get the right price

RESOURCE

For more details on the importance of mindset, see *SHIFT*
Tactic 1: Gaining Mind Over Market on KWConnect.com

Getting the Most Out of This Experience

There are often three types of people in a typical training class. Which one are you?

The Prisoner	The Vacationer	The Explorer
<i>Has to be there, doesn't want to be there, and doesn't know why they're there.</i>	<i>A day in training is better than a day on the job.</i>	<i>Excited and curious about the new knowledge, skills, and tools they will discover in class.</i>
Doesn't engage	Spends as much time chatting as listening	Listens attentively, then participates fully in discussions and exercises
Spends class time catching up on their emails	There to have fun—distracts the class with irrelevant comments	Asks meaningful questions and contributes compelling aha's
Escapes by spending time in the hall on their phone	Returns late from break and lunch	Arrives to class on time and returns promptly from breaks
Holds on to limiting beliefs	Not purposeful in their learning goals	Adopts a posture of acceptance
Multi-tasks on their computer by working on side projects	OMG! Spends the day on their smartphone, texting and checking Facebook	Takes notes in their manual for future reference
Picks fights with trainer or other participants if they don't agree	Isn't paying attention	Respects the different learning styles and opinions of others

Notes

Study Your Market

Get ready! The market is a vastly different arena than it was before it shifted. Get insight into what is really happening in order to offer your sellers the most up-to-date information.

Be the Local Market Economist

During a shifted market, the state of the real estate market is typically all over the news, so your sellers are likely to be more informed than in the past. However, they only have partial information—the headline knowledge they are trying to piece together into some sort of perspective. They may believe . . .

1. Market conditions in their area are not as bad as the media says.
2. They'll be able to sell their house despite market conditions because it is "special" in some way.
3. They'll never be able to sell their house.

National media reports are not necessarily in tune with your local market, and despite the story that the numbers from your local MLS may be telling, the media's message is likely to be what the customers and other agents believe. This is a great opportunity for you to set the record straight—everyone loves to talk about real estate, especially during a major shift. You can position yourself as the local economist if you are knowledgeable about *your* market—your farm area, neighborhood, and even individual streets.

Analyze the MLS

Numbers and statistics have a certain magic—they will help the sellers see market reality and will help you distance yourself from the *problem*—the market—and move closer to what you are—part of the *solution*. “People will become reasonable when they are faced with the numbers. They really will,” says Martin Bouma, agent from Ann Arbor, Michigan.

- Sellers tend to look at what the market *was* doing, not at what it *is* doing. If their neighbors sold for more money two months ago or even two years ago, *that* is the price they may expect to get!
- You will need to use facts and figures to demonstrate that you have your finger on the pulse of their local market *today*.
- Nothing will give you greater market knowledge than a thorough analysis of the numbers provided by your local MLS.

“Just the facts, ma’am. Nothing but the facts.”

Sgt. Joe Friday
Dragnet

What You Need to Do	How You Will Do It
<p>1. Use your local MLS to track market numbers in their price range.</p>	<ul style="list-style-type: none"> ■ Average days on market ■ New listings per week and per month ■ Total active listings ■ Total pending properties ■ Total closed ■ Total expired
<p>2. Take the shifting market into consideration when evaluating the comparables.</p>	<ul style="list-style-type: none"> ■ Look at the actives and pendings and how they compare in price and condition. Track them month by month—the newer the better. ■ Do not try to analyze the current market by looking at solds, as they reflect long-term trends. Only looking at solds, it's like driving with your eyes on the rearview mirror."
<p>3. Get the big picture. Buyers are spoiled for choice and will start prioritizing the deal, rather than the area—looking for opportunities at their price point wherever they may be. Your sellers are not only competing against other properties in their neighborhood, but also against properties in the next neighborhood—and the entire city, or even county.</p>	<ul style="list-style-type: none"> ■ Pull MLS statistics for properties at the same price point as your listing, and in comparable neighborhoods. ■ Beware of the Micro Market—certain areas may be small “sellers’ market pockets” in the midst of a larger buyers’ market. Don’t let your sellers be fooled into pricing too high.



Use this chart to fill in the numbers for your market.

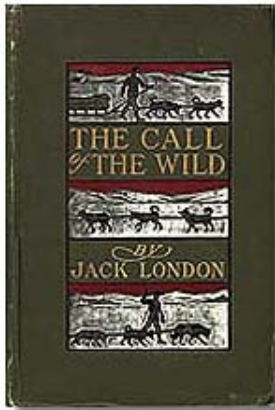
Bruce Hardie, from Spokane, Washington, created the chart below to compile a report he calls his Total Market Overview.

You can download this report, along with video demonstrations and scripts, at www.tmoreport.com.

Price Range 1000's	Number of Active Listings	Number of Pendings	Pendings to Actives Ratio	Number of Expired Listings	Number Closings in Last Six Months	Average List price of Sold Homes	Average Sold Price	List to Sales Ratio	Days on Market
\$0 – \$80,000			%			\$	\$	%	
\$80,001 - \$100,000			%			\$	\$	%	
\$100,001 - \$150,000			%			\$	\$	%	
\$150,001 - \$200,000			%			\$	\$	%	
\$200,001 - \$250,000			%			\$	\$	%	
\$250,001 - \$300,000			%			\$	\$	%	
\$300,001 - \$400,000			%			\$	\$	%	
\$400,001 - \$500,000			%			\$	\$	%	
\$500,001 - \$650,000			%			\$	\$	%	
\$650,001 - \$800,000			%			\$	\$	%	
\$800,001 - \$1,000,000			%			\$	\$	%	
\$1,000,001 +			%			\$	\$	%	
Market Totals			%			\$	\$	%	

Internalize Your Numbers

Take the time to study and internalize the statistics that are reflective of your market place and which matter to your sellers. Gary Gentry, of the Southwest Market Center, Austin, Texas, is adamant on his point. He and his team have a Friday morning meeting and one of the agenda items is always “Discussion of local statistics.” Everyone is required to recite numbers from the MLS and the local economy and then later use the data in a sentence. Later that day, each person is to quote those data points two or more times with someone. Gary believes, “Then the information belongs to them. In explaining, we move from recognition and knowledge to understanding and usage. Once we have studied and understand our market, we can properly advise our customers and speak with conviction and confidence. If we are not confident, how can we expect our customers to have confidence in us?”



A giant in American letters, Jack London has written vivid and stirring accounts of adventure in our nation’s most beautiful natural landscapes in epic novels such as *Call of the Wild* and *White Fang*. In order to build a compelling vocabulary that would capture the beauty of the landscape he was trying to convey to his readers, he set about trying to systematically build his word base. Every day, he would select a word and then use that word three times that same day. At the end of the day he would write down that word and string it on a clothesline running through his house!

The moral of this story? You can do this with your numbers! Study them, say them out loud, use them in sentences, and put them up where you can see them—on your computer, at your desk, or on your rearview mirror!



Internalize Your Numbers

1. Choose a partner from your team or your marketplace with whom you can practice the numbers.
2. Set up weekly meetings to discuss the numbers together.

Use Formulas and Graphs

Enhance the raw data from your MLS by using formulas and graphs to illustrate the market to your sellers. Use this script when presenting your findings.

SCRIPT:

“I am here to discuss some factual information about our marketplace. What I am going to show you is not necessarily what you want to see, but as your agent, I feel it is my responsibility to give you the data you need to know in order to be able to make a good decision about selling your home in the shortest amount of time.”

Formulas

When you analyze the MLS, use an “Activity Index” (also known as the “Hotness Index” or “Pendings Ratio”) or an “Absorption Rate” (also known as a “Months of Inventory”) analysis to show how long properties are taking to sell.

TIP

Practice the math before your listing presentation until you are confident with the numbers, but for a powerful presentation, take copies of the MLS data and work out the figures together with your sellers.

The Activity Index indicates how many properties are actually going under contract compared to the number of active properties on the market. Here is the standard formula for calculating Activity Index:

$$\frac{\text{Actives} + \text{Pendings}}{\text{Pendings}} = \text{Activity Index}$$

For example, let's say you are preparing a Comparative Market Analysis (CMA) for your sellers during the month of September. To show them the market trend, you start with the data from a few months back.

In **May**, the Activity Index for their neighborhood looked like this:

$$\frac{44 \text{ Actives} + 64 \text{ Pendings} = 108}{64 \text{ Pendings}} = \mathbf{59.3 \text{ Activity Index}}$$

In **July**, the Activity Index for their neighborhood looked like this:

$$\frac{26 \text{ Actives} + 17 \text{ Pendings} = 43}{17 \text{ Pendings}} = \mathbf{39.5 \text{ Activity Index}}$$

In **September**, the Activity Index for their neighborhood looked like this:

$$\frac{52 \text{ Actives} + 18 \text{ Pendings} = 70}{18 \text{ Pendings}} = \mathbf{25.7 \text{ Activity Index}}$$

In just five months, activity in this neighborhood has cooled down considerably!

The Absorption Rate

The absorption rate will tell you how many months of inventory you have on the market. In other words, it tells you how long it would take all the homes on the market to sell before supplies were exhausted if no other homes were to come on the market. The absorption rate is not an exact science, however, it is a good indicator of the market trend—and part of your job as a real estate professional is to understand your market and where it is headed. Figure out the absorption rate for your area on a consistent basis every month in order to track your local trends.

$$\frac{\text{Number of active homes on the market}}{\text{Number of sales in the last 30 days}} = \text{Absorption Rate}$$

Using the same example as above, let's say it is September, and you want to go back a few months to show your sellers the trend in inventory.

In **May**, there were this many months of inventory:

$$\frac{44 \text{ active homes on the market}}{27 \text{ listings sold in the last 30 days}} = 1.6 \text{ Months}$$

In **July**, there were this many months of inventory:

$$\frac{59 \text{ active homes on the market}}{21 \text{ listings sold in the last 30 days}} = 2.8 \text{ Months}$$

In **September**, there were this many months of inventory:

$$\frac{74 \text{ active homes on the market}}{17 \text{ listings sold in the last 30 days}} = 4.3 \text{ Months}$$

Again, in just five months, there has been a considerable slow down in the market.

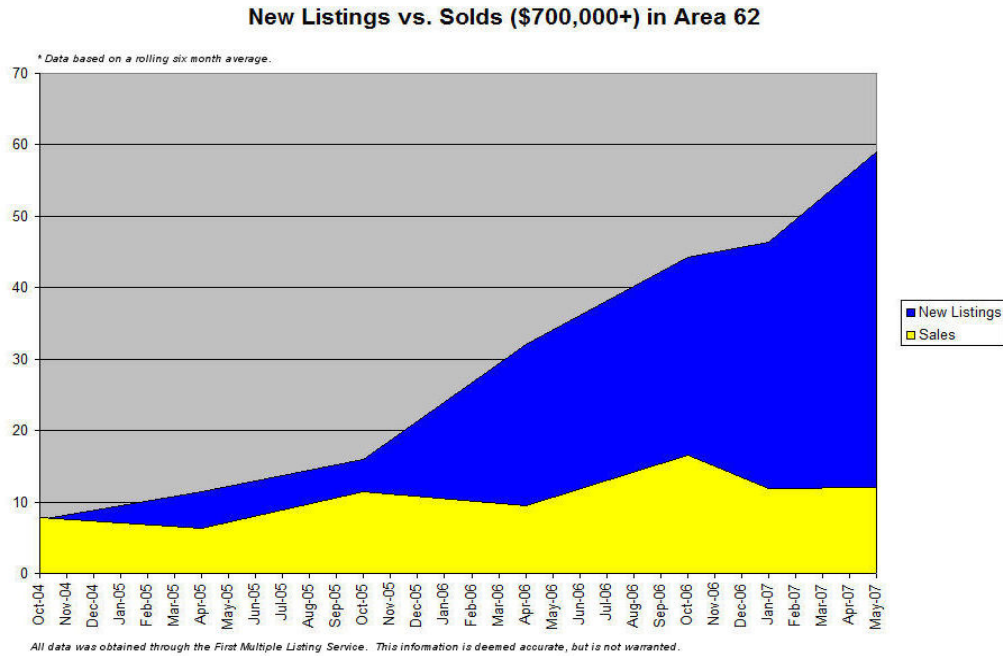
Graphs

A large number of the population responds visually to information. Not everyone has a mathematical brain, so if you can *show* the MLS statistics using vivid, clear, and even colorful graphs, your sellers will be able to grasp your concepts much more easily.

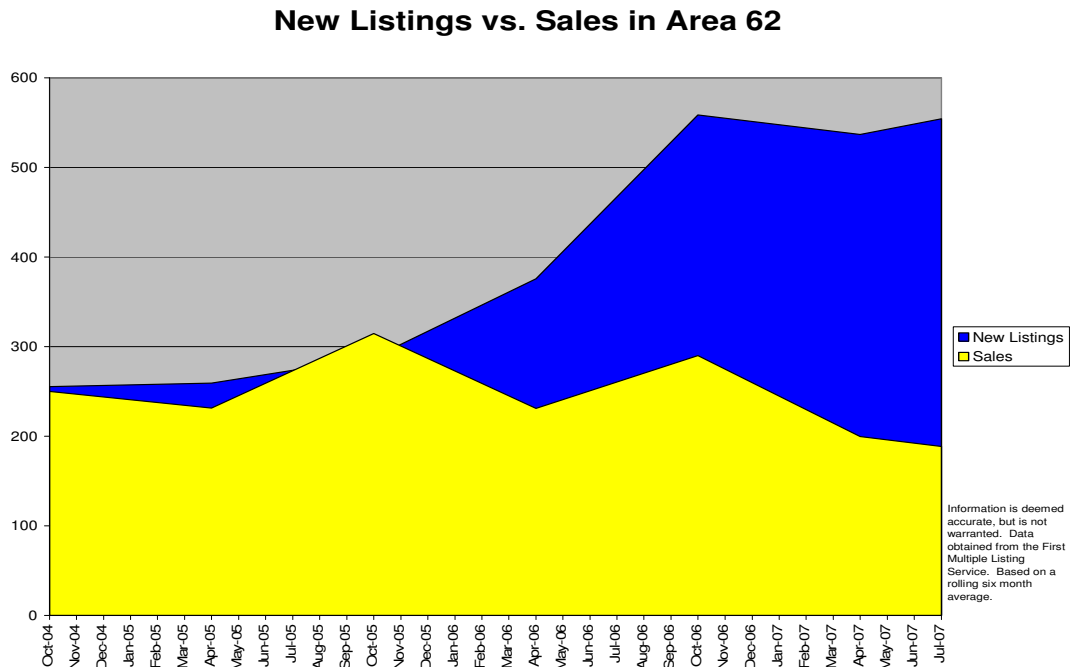
TIP

Use Microsoft Excel when plotting your graphs, or get help from your Market Center. There are also online services and software programs that you can use to create graphs.

Notice how the following sample graph vividly—yet simply—illustrates the gap between new listings and sales for a specific neighborhood in Jacksonville Beach, Florida.

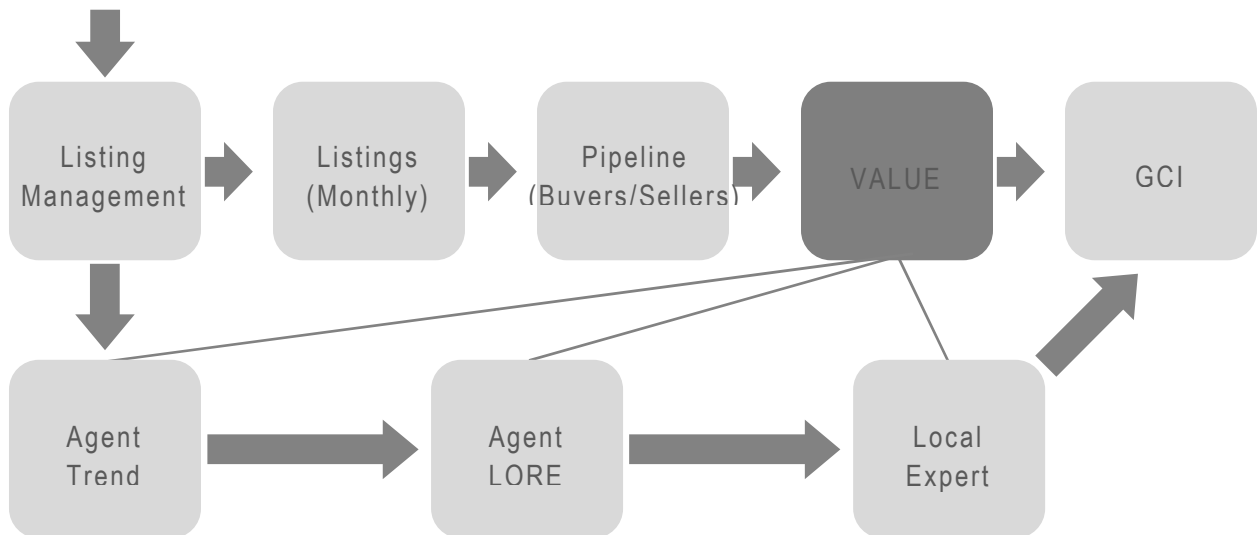


Your graphs can reflect data from specific neighborhoods or, as the sample graph below illustrates, they can show data relevant to both location and price range.



Career Growth Initiative Power Tools:

The tools of the Career Growth Initiative are a synergistic system that fuel the Four Conversations with evidence.



Vision Tools

- **Listing Management:** A yearly plan for profitability through growth in market share.
- **Listings (Monthly):** Monthly tracking with adjustments to help you achieve your yearly goal.
- **Pipeline (Buyers/Sellers):** Identify on a daily basis whether your activities will turn your goals into reality.

Value and Validity Tools

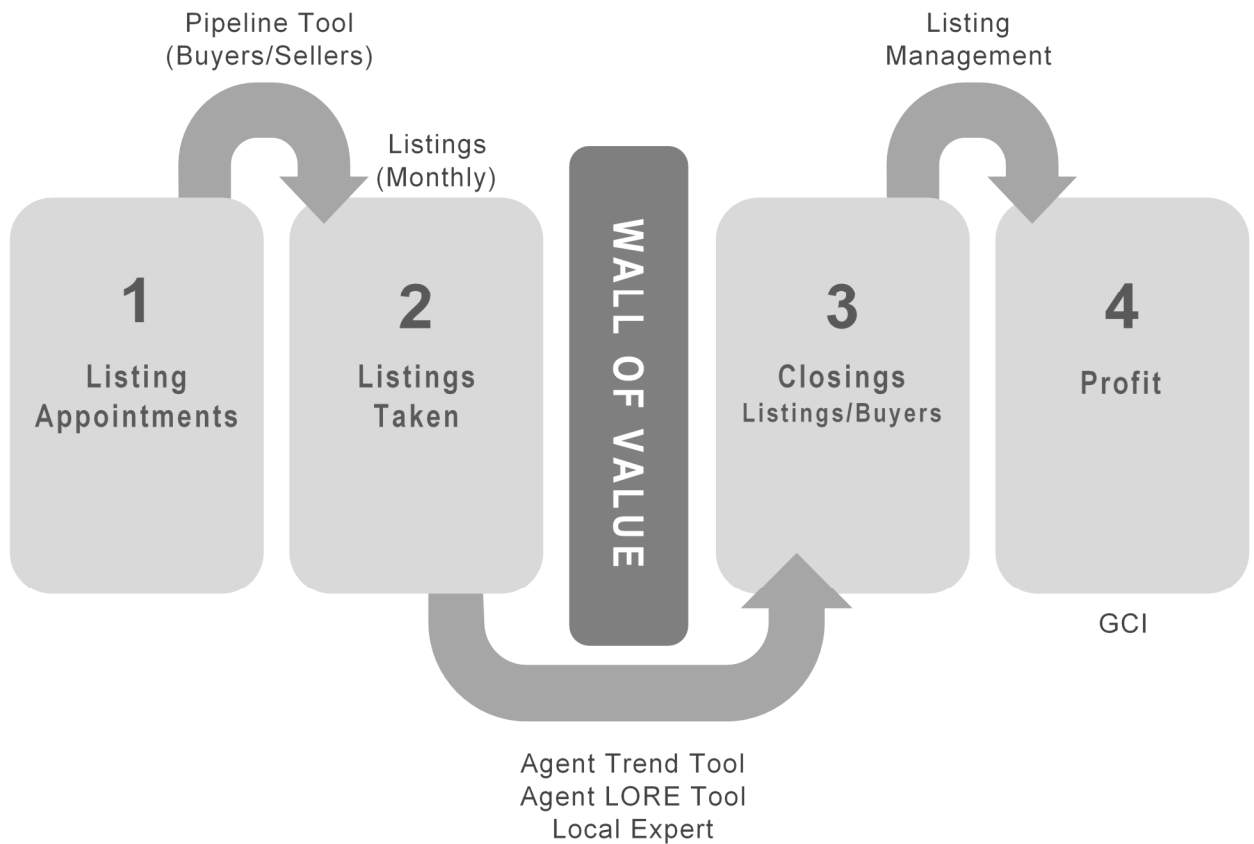
- **Agent Trend:** Report that tracks your growth in market share and critical levers in your business to assess performance and opportunities.
- **Agent Language of Real Estate (LORE):** Provides evidence of your value by comparing the growth of your business to that of your board, your subdivision, your Market Center, your Region, etc.
- **Local Expert:** The story of your expertise to underscore your validity to clients.

Thriving Tools

- **GCI:** Track your GCI against your expenses to identify your Break-even Day.

The Wall of Value

When you are able to quantify and communicate the benefits of the value you deliver, you will create a **Wall of Value** in your business that attracts listings and creates closings.



Communicate Value

Look for ways to share your Wall of Value to grow your business:

- Listing and Pre-Listing Presentations
- Buyer Consultations
- Marketing materials
- Conversations with allied resources

For more, go to the Career Growth Initiative page on [KWConnect.com](https://www.kwconnect.com)

Approach Sellers

Get set! Now that you know your market statistics, your job is to take on the role of a consultative professional and carefully select the sellers you can truly help get the best price in the time frame they need. To accomplish this you will need to do the following:

1. Find the Motivated
2. Update Your Listing Presentation

Find the Motivated

You can only afford to work with the very motivated. You will save both your time and theirs if you can determine their level of motivation *before* you get in the car and drive to their home!

What to Do	How to Do It
1. Prequalify your sellers before you make the listing appointment.	<p>Ask these questions:</p> <ul style="list-style-type: none">■ When you sell this home, where are you going next?■ How soon do you need to be there?■ Why are you moving?■ Have you thought of selling yourself?■ What do you expect a real estate agent to do to get your property sold?■ What do you owe on your property?■ What do you want to list your home for? If you are not sure, just give me a price range.■ What are your plans if your home doesn't sell?

Update Your Listing Presentation

In a sellers' market, the focus of your listing presentation may have been about comparable features like granite counters and travertine flooring. In a shifting market, the focus of comparables should be the numbers—use the formulas and graphs you have developed to demonstrate how the property needs to be priced compared to the listings it is in competition with, namely actives and pendings.

Your Listing Presentation “To-Do List”

1. Tell the truth
2. Leverage the media
3. Listen for responsiveness
4. Learn new scripts and dialogues
5. Be prepared to answer objections

Tell the Truth

How hard is it to tell the truth? You aren't doing your sellers any favors if you are tempted to soften the blow in order to get the listing.

- Don't be afraid to be honest—you don't make the market, you just interpret it. “Don't shoot the messenger!”
- If you are not an advocate for correct pricing now, in six months' time, you will hear your sellers ask, “Why haven't *you* sold my property?”
- Care about them enough to be strong up front and get the right price. They will *lose* money, not make it, if they insist on a higher price—their monthly house payments will add up while the prices for comparable properties around them get lower by the month.

“If I don't tell my sellers the truth, it's like I'm taking money from their bank accounts.”

Dianna Kokoszka
CEO of KW MAPS Coaching

Leverage the Media

The media actually helps with sellers by creating a readiness to accept the reality of your message. If the headlines are screaming—“Prices are down! Foreclosures are up! The market is flooded!”—your sellers are listening.

TIP

Here is where you can leverage your position as the “Local Economist.” Because sellers are unnerved can be unnerved by the news they hear in the press, they want an agent who knows their market and has the latest facts and figures at their fingertips. Knowledge is power!

- Highlight articles from the news that support your position and send them to your sellers.
- Back up the news stories with your own hard data. The headlines may state that the local market is down 12 percent; however, if your seller’s neighborhood is down 20 percent, and you don’t have the numbers to demonstrate that during the listing presentation, you will lose that listing.

Listen for Responsiveness

Some sellers just may not be able to face reality and list their home at the price it needs to be at to sell. Your prequalification should have helped you determine their readiness before the meeting, but be on the lookout for these signals of reluctance during your presentation:

- Do your sellers want to “chat” on the couch in the living room rather than sit at the kitchen table and look at the numbers?
- Are they reluctant to disclose information about their mortgage or financial situation?
- Are they oblivious to your data?

Return to their motivation if you sense they may not be receptive to market reality, and determine whether you are willing to proceed with taking their listing.

Learn New Scripts and Dialogues

After you have analyzed the MLS and created the visuals to represent the relevant data, you will want to work on your presentation skills. A changing market will require new messages that will educate your sellers and vividly illustrate the new reality of their market. Take the time to learn these scripts so you are confident and polished during your presentation.

SCRIPT:

Go Fish

“You can have the best bait, you can have the best boat, and you can have the best fishing equipment, however, if you throw the bait out of the boat and it goes down ten feet and the fish are down at forty feet, they’re not going to bite. So what happens if you lower another ten feet? They’re still not going to bite because the fish are down forty feet. But we can’t see where they are from the boat, can we? So we fish. We keep lowering and all of a sudden, guess what, your bait is right in the middle of those fish and you have a feeding frenzy. Pricing your house in a shifted market is a lot like fishing – we can’t see the fish so we just keep lowering the bait until they bite.”

Martin Bouma
Ann Arbor Michigan

The Ceiling and the Floor

“When we’re in a sellers’ market, the last sale becomes the floor of what you can possibly get. In a buyers’ market, the last sale is going to be the ceiling of what you’re going to get. So we’re always pricing them a little bit less than what has sold, factoring in what the market is doing right now.”

Bradley Chais
Tampa, Florida

Doctor, Doctor

“If you went to a doctor and the doctor told you that you had a terrible disease, would you want to be told the truth, or would you rather be told, “Go home and have fun?” Of course you would want them to tell you what you had and what to do to get better! Well, I am the professional, like a doctor, and I am telling you the market shows we need to price it right. Otherwise you are going to have a terrible disease called *No Showings!* And when you have no showings in a market that is going down every month, you are losing money daily. You want the most money for your home, down you?”

Dianna Kokoszka

Communicate Effectively

Spend time practicing scripts and dialogues. Remember the old adage—amateurs practice until they get it right, professionals practice until they can’t get it wrong

What You Need to Do	How You Will Do It
1. Practice scripts and dialogues.	<ul style="list-style-type: none"> ■ Form a role-playing group with other agents—practice answering objections. ■ Learn new scripts that address the needs of today’s market. ■ Learn new scripts to explain market statistics.
2. Focus more on your sellers’ need to express themselves in this frustrating and emotional time.	<ul style="list-style-type: none"> ■ Let them have their say!
3. Keep them talking and LISTEN to what they tell you.	<ul style="list-style-type: none"> ■ Remember—if you have said more than three sentences in a row without asking a question, you are talking too much!

Be Prepared to Answer Objections

Despite the media barrage, many sellers may not be truly aware of the reality of their local market and the value of their home in the eyes of potential buyers. The objections may be more or less the same as they always are, but be prepared for more emotion on the part of sellers as they get their head around how much their home will actually sell for, as opposed to how much they think it is worth.

Before we look at some specific objections, let's see how you can address them before they come up.

- Send out a thorough CMA in your prelisting package so the sellers have time to absorb the information.
- Head 'em off at the pass! Put the objections out there immediately and then sweep them off the table. Several of the most common objections can be addressed during your analysis of the numbers. With this powerful strategy, you will avoid getting into a discussion with them later, as they will already understand the logic.

For example, you can address the issue of negotiation as you are showing sellers the average sales price.

SCRIPT:

Room to Negotiate

“Many people who tell me they agree with my CMA will still want to price their house higher so that they have some room to negotiate. I need to share with you that there are two problems with that strategy – one, the people who can afford your house won't look at it because it is outside their price range. Two, the people who do see it are comparing it to the others that are worth more, and as a consequence, won't make you any offers.”

Bruce Hardie
Spokane, Washington

Common Pricing Objections

SCRIPT 1

SELLER: *"Let's just try \$xxx.xx and see what happens."*

AGENT: "Yes, we could do that, and let me tell you what will happen. No buyers will see it because it will be overpriced. When buyers go to their agent, the agent will go to the MLS to look for properties. Say there are 100 in your price range. That agent is only going to show the three or four houses they think are the best. Do you think they will choose to show your property if they're 100 others to choose from in that price range?"

SCRIPT 2

SELLER: *"Two other agents told me they would have no problem selling it at my price."*

AGENT: "I understand. Has there ever been a time in your life when someone asked your opinion and you told them what they wanted to hear? Maybe your best friend asked how she looked in a new pair of jeans, and even though she didn't look good, you told her she did? This time could be like that. Other agents will tell you what you want to hear so they can get your listing, use it to attract buyers, and then take those buyers to see other well-priced properties they can *afford*. I am telling you the truth. So if you feel uncomfortable, you know I am willing to be honest, even if that risks telling you something you don't want to hear. You do want an agent who will be honest, don't you?"

DIANNA KOKOSZKA
PRESIDENT OF KW MAPS COACHING

SCRIPT 3

SELLER: *"My neighbor just down the street sold their house for \$xxx.xx."*

AGENT: "May I ask how long ago that was? The statistics we have been looking at show that the market is in a downward trend. In a sellers' market, the last home sold becomes the floor of what we can ask. In a buyers' market, the last home sold is the ceiling."

BRADLEY CHAIS
TAMPA, FLORIDA

Notes

Get the Right Price!

Go! Now that you are working with motivated sellers, it is time to price their home to sell. With a well-priced listing they will have the best chance of getting the highest price the market will accept right now—before it continues its downward momentum—and the best chance of selling in their ideal time frame.

“The best price that we can wring out of the market right now is a tremendous service we can offer to our sellers.”

Gary Gentry
Austin, Texas

Allow Your Sellers to Self-Discover

Adults do not want to be told what to do. In fact, psychological studies suggest that adults will actually become resistant to change if they perceive they are being *told* what to do. Your sellers will be much more likely to accept the correct price if they have *discovered* it for themselves rather than you just telling them.

You can accomplish this by simply asking questions throughout your listing presentation.

- “Looking at all the comparables here in the MLS for your neighborhood, how much would you be willing to pay for your house if you were a buyer today?”
- “Given what I’ve shown you about the market, what do you think your house will sell for?”
- “Look, what do you think we need to do? Here are the numbers.”

Tell the Tale of Two Markets

All markets, independent of whether they are buyers' or sellers' markets, are generally divided into two segments—properties that are either in the market or out of the market. It is essentially a Tale of Two Markets, and it is a story your sellers need to hear.

“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness.”

Charles Dickens
A Tale of Two Cities

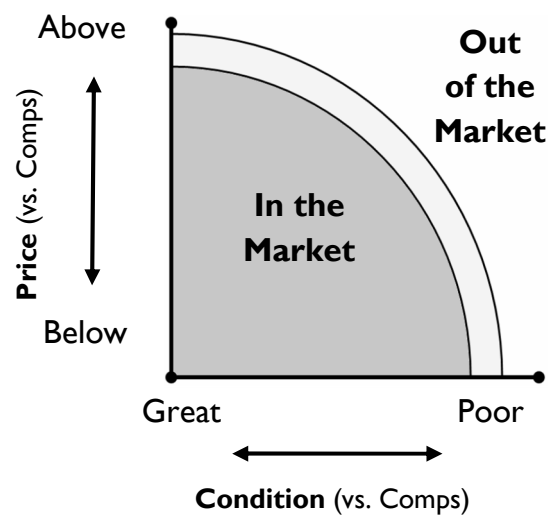
As Brian Hickox, top agent in Franklin, Massachusetts, explains, “What has really happened [...] is a ‘Tale of Two Markets.’ It is the old 80/20 rule. Of the listings out there, 80 percent are now grossly overpriced and all the buyers know it. The flip-side of it is that 20 percent of the agents are compelling enough with the factual data to convince their sellers to price the property appropriately.”

- Eighty percent of the grossly overpriced listings are competing against one another and languishing on the market for a year—or more.
- Buyers are competing for the 20 percent of properties that are accurately and attractively priced—and when this strategy is used, these well-priced properties are seeing multiple offers.

The following graphs visually represent the effect of pricing and condition versus the market comparables on your seller's home.

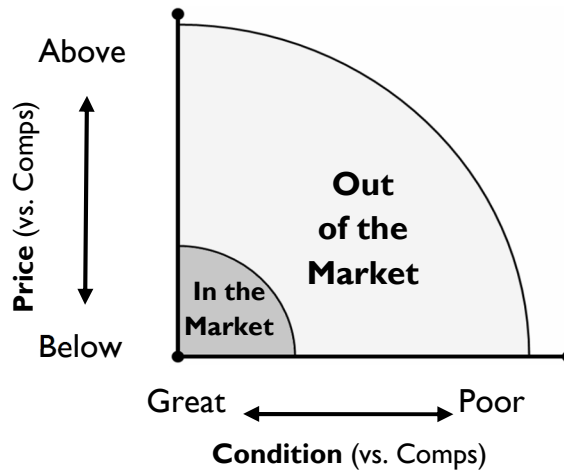
Sellers' Market

In a strong sellers' market, it all sells! Virtually every property is IN. Listings will sell even if prices are above average and condition is below average to comparable properties.



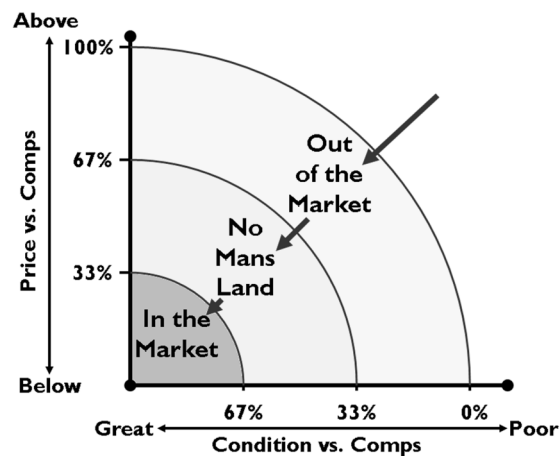
Buyers' Market

The number of homes **IN** the market shrinks because many houses are overpriced and/or in fair to poor condition. In a buyers' market, properties that are priced correctly and are in good condition are **IN** the market—but they represent only a small segment.



No-Mans-Land

In order to sell, your listing must be in the top 30 percent in condition and in the bottom 30 percent in price. In some markets it may be 20/20, or even 10/10. The real danger lies when homes are priced so they are no longer **OUT** of the market, but do not price it low enough to be **IN** the market. These sellers are destined to languish in **NO-MAN'S-LAND**.





Think of actual listings in your market that you consider “in the market,” “on the market,” or “in no-man’s-land”

	PRICE	
	Listing 1	Listing 2
IN the market	1.	2.
In NO-MAN’S-LAND	1.	2.
ON the market	1.	2.

Now think of what price adjustments would have to be made to the listings that are “in no-man’s-land” and “on the market” in order to get them “in the market.”

		Current Price	% Adjustment	IN the market
In NO-MAN’S-LAND	1	\$	%	\$
	2	\$	%	\$
ON the market	1	\$	%	\$
	2	\$	%	\$

The Law of Supply and Demand

When pricing their home, sellers need to obey the law! The law of supply and demand is universally recognized as the first step toward understanding how market prices are determined and the way in which these prices help shape economic decisions.

Seller's Market

A market which has more buyers than sellers.

High prices result from this excess of demand over supply.

Buyer's Market

A market which has more sellers than buyers.

Low prices result from this excess of supply over demand.

- Prices increase in a sellers' market, resulting in a decrease of what buyers can afford, and as a result there are fewer qualified buyers.
- The decline in buyers means a reduction in demand.
- With the reduction in demand, the supply of homes for sale (inventory) will increase.
- As the inventory grows and prices drop, buyers become more reluctant to buy—the market can gain momentum in either direction—UP or DOWN.



How can you use MLS statistics to explain the effect of supply and demand in your seller's area?

Don't Chase the Market

Whether the market is going up or down, you want to price your listings ahead of the market—ahead of it on the way up and ahead of it on the way down. The properties that sell in the shortest amount of time in a buyers' market are generally those that are ahead of it.

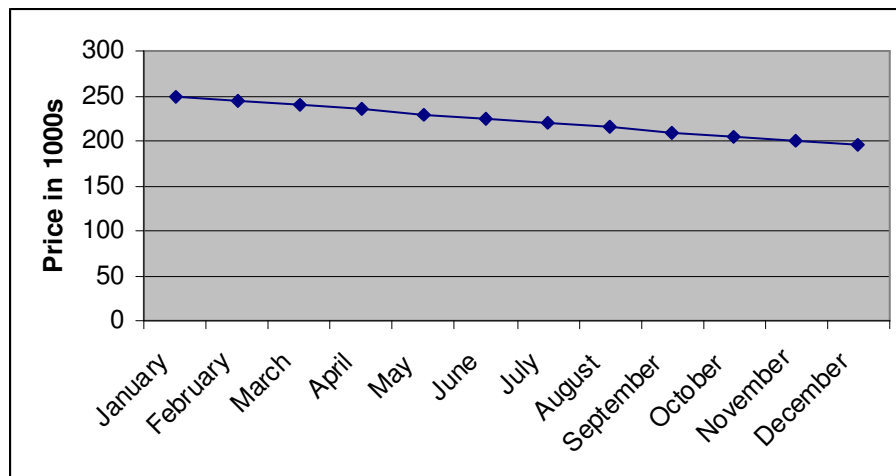
"You're in a race against time. The best price you'll get is the one you get now. If you wait, it will be lower."

Jackie Ellis
Boynton Beach, Florida

What do you
tell your
sellers??

Andy Allen, an agent from Austin, Texas, makes good use of the word "ahead." "I know that people like to be ahead. No one wants to be behind. So rather than telling my sellers they need to lower their price, I suggest that they get *ahead* of the downward momentum, because they are currently *behind* the curve."

Use this graph to demonstrate the effect that time will have on pricing:



Notes

Manage Your Listings in a Buyers' Market

When the market has shifted, the days of throwing your sign in the yard and selecting among up to twenty different offers are a thing of the past. Phenomenal customer service must become the norm, and you need to use new and creative strategies to attract buyers and keep your listings IN the market through further price reductions.

Offer Phenomenal Customer Service

In a fast-paced market, listings sell before the customer even knows what happened—it all happens so fast. Sellers couldn't tell you whether they got good service or bad. All they know is their house sold. But in a slow market, where listings are being carried for six months ... nine months . . . the level of service will become an issue. Set up a systematic plan to provide phenomenal service to your sellers.

- Increase frequency of communication (see table).
- Increase frequency and unique timing of open houses—hold them at twilight, for example.
- Send your sellers regular market information updates.

What to Do	How to Do It
Communicate—call and/or email your sellers once a week	
1. Be prepared—facts work wonders in an emotional situation.	<ul style="list-style-type: none"> ■ Have the latest MLS statistics laid out in front of you. ■ Factor in a few minutes prep time before the phone call to go over the numbers.
2. Talk about the market.	<p>Give them local statistics:</p> <ul style="list-style-type: none"> ■ Number of houses for sale ■ Number of houses sold ■ Number of pendings ■ New price reductions
3. Talk about their listing.	<ul style="list-style-type: none"> ■ How many website hits it has received ■ How many websites it is on ■ Feedback from showings or other listings
4. Just talk!	<ul style="list-style-type: none"> ■ Reaffirm your commitment to getting their house sold.
5. Listen!	<ul style="list-style-type: none"> ■ This is a stressful time for sellers. They need to vent their frustrations.
6. Always ask for a price reduction.	<ul style="list-style-type: none"> ■ Back up your request with the facts and figures.

Get Price Reductions

Properties that are correctly priced today may be overpriced *tomorrow*—requiring new price reductions, possibly on an ongoing basis. Listings that were overpriced from the beginning will need even further price reductions, as they started out behind the curve.

TIP

YOU know where the price needs to be – the key lies in educating and consulting your sellers until they can clearly see where the price needs to be as well.

Overpriced Listings

There are very few listings that are too overpriced to take—and most sellers only overprice because they have not been educated by a savvy real estate professional about the reality of their market. You will have three elements on your side if you decide to work with these sellers to get the price reductions that will cause the listings to sell—time, your strengthening relationship, and market statistics.

There are some overpriced listings you will generally want to take:



- Past customers
- An excellent referral
- A property in a farm area you absolutely dominate—or want to dominate
- A motivated seller—a 10 on a scale of 1 to 10

When you take an overpriced listing, the benefits are the same as with any listing:



- Name recognition from signs
- Buyer leads

However, when you take an overpriced listing, you should be aware of the downside:



- Yard signs that sit for months can have a negative impact on your image.
- Frustrated sellers can take out their anger on you and can speak negatively about you to others

When you are working toward price reductions, or when you take an overpriced listing, have a strategy in place to manage the relationship with your sellers.

What You Need to Do	How You Will Do It
1. Get long term listings.	<ul style="list-style-type: none"> ■ Don't accept listings less than 180 days (depending on your market).
2. Set expectations from the beginning.	<ul style="list-style-type: none"> ■ Discuss pricing in general during the listing presentation. ■ Explain that their CMA can only reflect the market today—but the market is in continual evolution.
3. Establish a time line for reductions.	<ul style="list-style-type: none"> ■ Use NAR guidelines. <i>(See next page)</i> ■ Take out your calendar and set the dates for price reductions. Extend your listing agreement with each reduction. ■ You may want to draw up a schedule and have your sellers initial it.
4. Keep your sellers informed.	<ul style="list-style-type: none"> ■ Communicate with your sellers on a weekly basis. Set up a long-term servicing strategy you or your staff can handle—one call and/or email a week is strong communication without constant contact. ■ Send updated—but brief—CMAs. Discuss the need for a price reduction at every conversation.

Schedule Your Reductions

Consider this scenario: Your listing has been on the market for two weeks and there have been either no showings, or showings without any offers. According to National Association of Realtors (NAR) statistics, a reduction needs to be made after ten showings with no offer, or two to three weeks with no showings.

Price-Reduction Schedule	
10 showings with no offer	= price reduction
2–3 weeks with no showing	= price reduction

You may want to have a price-reduction formula already in place. For example, if your listing has ten to twelve showings without an offer, that's the market saying it is at least 5 percent overpriced. If it's not getting even that, it is at least 10 percent over price. Keep in mind that the price bracket of the home and the percentage that it is overpriced can affect the rate of reduction.

Percentage of Price Reduction	
10–12 Showings + Comments	= 5 percent lower price
10–12 Showings + No Offers	= 5 percent lower price
NⓈ Showings	= 10 percent lower price

Get Into the Next Bracket

Make the reduction significant enough to reach a new set of buyers searching online. Buyers tend to search by increments of \$10,000, with a lower and upper limit. Dropping from \$250,000 to \$247,000 will not get any new buyers to your property—but dropping to \$240,000 will open up your listing to the buyers who have set their upper limit at \$240,000 as well as the buyers who start their search at \$240,000.



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Keep Carrying Costs Low

Remember that advertising does not sell houses, people do. Listings do not have to be any more expensive than the cost of the sign in the yard and a lockbox. The emphasis of your sales strategy should be time and service oriented, not marketing oriented.

- Rather than placing advertising, use your network to call people looking for a buyer or someone who knows a buyer.
- Call agents to find out who has properties they are going to be showing, and try to direct them to one of your properties instead of leaving it to chance that it will be shown just because it is in the MLS.

Mind Your Language

It may only be a subtle difference, but changing the wording of price reductions may alter the negative connotation. Below are a few wording suggestions from the field:

Price Improvement

Price Adjustment

Price Correction

Know When to Call It Quits

Determine a point where your overpriced listing will no longer be viable in terms of time or money, and be prepared to walk away with no hard feelings if your sellers will not consider further price reductions.

When is it time to walk away?

Rebekah Rivers, from Tallahassee, Florida, will push hard for price reductions on an almost daily basis through emails and phone calls, but has learned when it is time to stop. She has decided, "If we can't get our sellers to where they need to be in sixty days, we will let them go."

Auction Your Listings

It's human nature—people always want what they cannot have. Create desire for your listings by marketing your well-priced listings that are in good condition as “Coming Soon.” Using this strategy, Tony Carnesi, an agent from Denver, Colorado, was able to sell a \$699,000 property *in forty-five minutes*—and it was priced 2 to 3 percent above other comparables in the neighborhood.

Follow these steps.

1. Establish correct market price with your sellers.
2. Have property inspected and staged.
3. Put up “Coming Soon” yard signs with the date of the MLS opening.
4. Wait a week to ten days *without showing the house to buyers or agents*.
5. Announce the opening.
6. Sell the house! If the property moves very quickly and you continue to receive calls about it from interested buyers, direct them to your other listings.

This strategy will position you as the agent with the inside information—the agent everyone has to come to!

Offer Seller Concessions

In a buyers' market, sellers need to be prepared to make financing concessions. Seller concessions that serve to reduce the buyers' interest rate tend to be far more advantageous to all parties than price reductions of the same amount. Learn about the seller concessions and real estate financing concepts that create a competitive edge in a shifted market, and work closely with a loan officer who is knowledgeable about the details. Take the role of professional consultant, not just a transaction coordinator, to help the seller sell his home.

- The seller can offer 6 percent of total costs to pay down all closing costs and prepaids.
- The seller can finance a points buydown or 3-2-1 buydown.
- Communicate concessions by updating the MLS, using a sign rider, and making calls to agents and to your network.

RESOURCE

For more details on seller concessions, see *SHIFT Tactic 10: Financing Solutions*, on KWConnect.com

The Bottom Line

There may be no single factor more important to getting a home sold than its price. Yet many sellers—without your expert guidance—will miss the point about the cost advantage of selling quickly, thinking if they have a pretty good price and pretty good condition, they can compete and get more aggressive later. Truth is, they may get no showings at all because it won't sell if it isn't seen, and price drives what is seen.

As an agent, your local expertise and market knowledge are the key to getting your sellers to price their homes to sell. Study your market, and present the facts in a compelling, visual way.

- Analyze the MLS
- Know your area—preview more properties than usual
- Study the Law of Supply and Demand
- Create graphs to visually represent the data
- Use formulas such as the Absorption Rate and Activity Index

Remember the advantages to you if you price correctly:

- The more properties you price correctly, the more buyers you will attract. The more buyers you attract, the more listings you can sell them.
- The more you sell, the more market share you will acquire—gaining name recognition, more buyers, and more listings!

Understand that only properties in the right condition and at the right price for their location are going to sell in a buyers' market."

Gary Keller

Notes

Scripts

Just the Facts

AGENT: I am here to discuss some factual information about our marketplace. What I am going to show you is not necessarily what you want to see, but as your agent, I feel it is my responsibility to give you the data you need to know in order to be able to make a good decision about selling your home in the shortest amount of time.

ATTRIBUTED TO STEVE TUFTS, JACKSONVILLE BEACH, FLORIDA

Go Fish

AGENT: You can have the best bait, you can have the best boat, and you can have the best fishing equipment, however, if you throw the bait out of the boat and it goes down ten feet and the fish are down at forty feet, they're not going to bite. So what happens if you lower another ten feet? They're still not going to bite because the fish are down forty feet. But we can't see where they are from the boat, can we? So we fish. We keep lowering and all of a sudden, guess what, your bait is right in the middle of those fish and you have a feeding frenzy. Pricing your house in this market is much like fishing—we can't see the fish so we just keep lowering the bait until they hit.

ATTRIBUTED TO MARTIN BOUMA, ANN ARBOR, MICHIGAN

COMMODITIES

AGENT: If you bought stock last year and that stock was worth \$49 per share and today you need to sell that same stock and it is now worth \$25 per share, what could we sell it at? Twenty-five is right.

DOCTOR ANALOGY

AGENT: If you went to a doctor and the doctor told you you had a terrible disease, would you want to be told the truth, or would you rather be told, “Go home and enjoy.” Of course, you would want them to tell you what you had and what to do to get better. Well, I am the professional, like a doctor, and I am telling you the market shows we need to price it right. Otherwise you are going to have a terrible disease called *No Showings*. And when you have no showings in a market that is going down every month, you are losing money daily. You want the most money, don’t you?

ATTRIBUTED TO DIANNA KOKOSZKA, PRESIDENT KW MAPS COACHING, KWRI

The Ceiling and the Floor

AGENT: When we’re in a sellers’ market, the last sale becomes the floor of what you can possibly get. In a buyers’ market, the last sale is going to be the ceiling of what you’re going to get. So we’re always pricing them a little bit less than what has sold, factoring in what the market is doing right now.

ATTRIBUTED TO BRADLEY CHAIS, TAMPA, FLORIDA

Determining Value

AGENT: It's much like buying anything else. Let's say a computer. You go to one store and the computer you want is \$2,500. You, like everyone, like to save money, so you go to another store where you see the same computer for \$2,500—only this one has speakers and a built-in CD burner. Which one will you buy? Right, because it gives you more for the same price—more features and benefits. Now, let's say you really didn't care about the speakers and CD burner. What would you expect the other store to do if you were to buy their computer? Right. Lower the price.

ATTRIBUTED TO DIANNA KOKOSZKA, PRESIDENT KW MAPS COACHING, KWRI

Negotiating

AGENT: Many people who tell me they agree with my CMA will still want to price their house higher so that they have some room to negotiate. I need to share with you that there are two problems with that strategy—one, the people who can afford your house won't look at it because it is outside their price range. Two, the people who do see it are comparing it to others that are worth more, and as a consequence, won't make you any offers.

Common Pricing Objections

SCRIPT 1

SELLER: *Let's just try \$xxxx.xx and see what happens.*

AGENT: Yes, we could do that, and let me tell you what will happen. No buyers will see it because it will be overpriced. When buyers go to their agent, the agent will go to the MLS to look for properties. Say there are 100 in your price range. That agent is only going to show the three or four houses they think are the best. Do you think they will choose to show your property if they have 100 others to choose from in that price range?

SCRIPT 2

SELLER: *Two other agents told me they would have no problem selling it at my price.*

AGENT: I understand. Has there ever been a time in your life when someone asked your opinion and you told them what they wanted to hear? Maybe your best friend asked how she looked in a new pair of jeans, and even though she didn't look good, you told her she did? This time could be like that. Other agents will tell you what you want to hear so that your listing, use it to attract buyers, and then take those buyers to see other well-priced properties they can *afford*. I am telling you the truth. So if you feel uncomfortable, you know I am willing to be honest, even if that risks telling you something you don't want to hear. You do want an agent who will be honest, don't you?

ATTRIBUTED TO DIANNA KOKOSZKA, PRESIDENT KW MAPS COACHING, KWRI

SCRIPT 3

SELLER: *My neighbor just down the street sold their house for \$xxxx.xx.*

AGENT: May I ask how long ago that was? Whether it was one month or one year ago, the statistics we have been looking at show that the market is in a downward trend. In a sellers' market, the last home sold becomes the floor of what we can ask. In a buyers' market, the last home sold becomes the ceiling.

ATTRIBUTED TO BRADLEY CHAIS, TAMPA, FLORIDA

My Action Plan

Don't put away this training guide without developing a plan to put what you have learned into action! Review the key "challenges" listed below and assess your current ability to meet each challenge on a scale of 1 to 5.

1 = "I have no experience with this."

2 = "I am not very good at this."

3 = "I am pretty good at this."

4 = "I am confident with this."

5 = "I am an expert at this."

For any rating of 3 or below, write down the action steps you will take to increase your understanding, build your skills, develop your confidence, see greater results, and take home more money!

Challenge	Rating	Action Steps
1. I know what the opportunities are for both myself and my sellers if we price their home correctly.		
2. I regularly review sources for local and regional market data so I can be more knowledgeable than the media headlines.		

Challenge	Rating	Action Steps
3. I analyze local market trends by studying the MLS.		
4. I translate MLS data into formulas or graphs for easy visual reference.		
5. I regularly practice scripts and dialogues that address the needs of today's market.		
6. I qualify my sellers.		
7. I have adapted my listing presentation to fit the current market.		
8. I can tell the "Tale of Two Markets."		
9. I can price my listings so they are not "chasing the market."		
10. My customer service is not good, it is phenomenal.		
11. I know how to get price reductions.		

Challenge	Rating	Action Steps
12. I can auction my listings for maximum exposure and effect.		
13. I can knowledgeably advise my sellers on concessions.		
14. I have set goals for next year for number of listings, transactions, etc. in the CGI Calculator with my MC leaders.		

From Aha's to Achievement

AHA's

What are your Aha's?

BEHAVIORS

What behaviors do you intend to change?

TOOLS

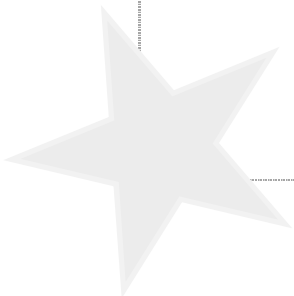
What tools will you use?

ACCOUNTABILITY

What does accountability for this look like?

ACHIEVEMENT

What will you achieve?



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