

Range Pricing Your Waterfront Home

by Joe Catalano

About 12 years ago, when the real estate market was in the doldrums and homes sat for months and even years without selling, Prudential Real Estate decided to try an Australian marketing concept that was proving to be effective on that continent: range pricing.

The typical way of pricing a home is to come up with an asking price based on what previous homes in the area have sold for - say \$719,000. Range pricing is different. Rather than the listing carrying a set asking price, it offers a range, in this example \$699,000 to \$719,000. The concept was tried in California and other parts of the country, including New York, back then and seemed to help spur sales. But, as the market improved, the concept pretty much disappeared since not only fixed asking prices took hold again and attracted buyers, but also any type of house with any price began selling.

Jump to 2007. The real estate market is experiencing another downturn, as this cyclical business often does. Once again waterfront, water view and other homes are sitting unsold with sellers and their agents trying all sorts of things to attract buyers to properties including, you guessed it, range pricing. This time it's not just one real estate

office franchise but a growing number of agencies that are trying the concept. Proponents say that it helps to attract buyers who may not have seen the home if it carried a set listing price.

Many buyers today start their house searches by going online and plugging in a price they feel they can afford comfortably - say \$890,000. If a waterfront home is listed for \$900,000, it won't come up on the buyer's search, but if range pricing is used - say \$890,000 to \$919,000, then that waterfront home will be among the choices that pop up for the buyer to consider. While this makes sense to some real estate agents, others don't agree with the concept.

The tendency for people purchasing waterfront houses, or any item for that matter, is to try to get the item for the lowest possible price. It's human nature. So, if a home is listed for \$890,000 to \$919,000, most people will focus on the low end, ignoring the rest of the range. In fact, many people will even try to negotiate the price below the range's bottom end rather than make a bid someplace in the middle.

However, fans of the concept contend that in slow markets range pricing works, pointing to its effectiveness in Australia, where it began, as well as in this country 12

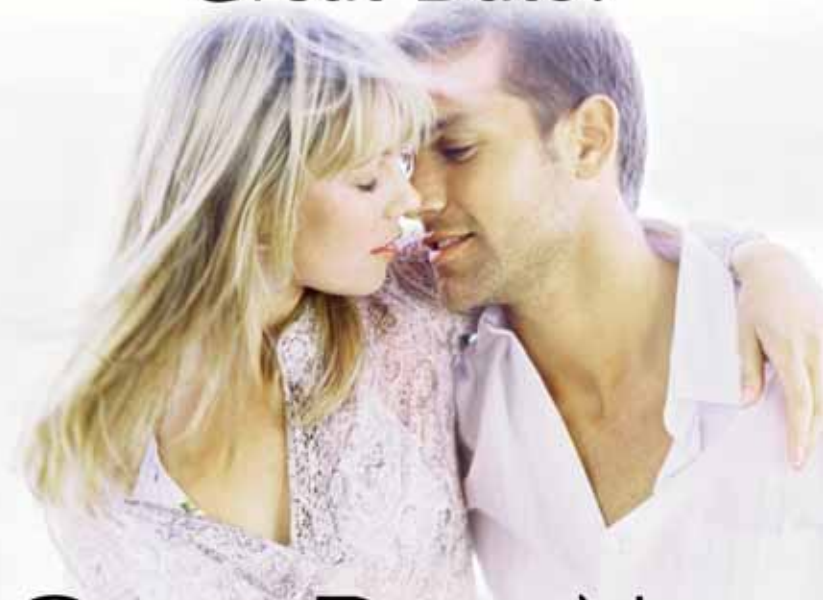
years ago when the market was slower than it is today. The trick is to get people inside a house to view it. The more buyers wandering through a property, the more offers a seller will get, hopefully.

In the past, a buyer's initial search usually began by visiting a real estate office. The buyer would tell the agent he was working with how much he felt comfortable spending, say \$800,000, for the type of waterfront home for which he was looking. The agent would then bring the buyer to homes priced not only at \$800,000 and below, but also to those priced at \$801,000 or \$810,000, realizing that all prices were negotiable and, therefore, might fit within the buyer's budget.

Today a buyer's initial search typically begins online. Range pricing is especially suited for these shoppers, proponents say. Plug in \$799,999 and you won't get the homes with an asking price of \$800,000 or more. However, if you range price the properties at \$799,999-\$819,999, they will show up in the buyer's search. In actuality, the buyer can probably qualify for a mortgage to purchase an \$819,000 house or more. Most buyers like to under-budget themselves to feel more comfortable, but what usually

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