

Listing agents and real estate investors have long understood the power of manipulating the listing price on the MLS® to attract buyers and generate buyer lists. By adjusting the listing price, a prospective buyer can be lead to believe the property is worth more money than it is.

Here are a few examples of how a listing price can be used to fool buyers into looking at a property and making an offer on it:

1. Starting the listing price well below Fair Market Value (FMV) to start a “feeding frenzy” of offers especially from investors who watch each new posting as soon as it is listed.

While a lot of offers will come to the agent, many will be investors looking to get the property under contract and then attempting to flip it. The seller is not required to take any offer and investor after investor is asked to make his highest and best offer which leads to over bidding for the property.

You can ask your local agent to put you on his auto-responder list for the key words, REO, bank owned, corporate owned, price reductions, foreclosure, short sale, pre-foreclosure as a few examples. Each day you will automatically receive emails with prospective properties that fit these criteria.

2. Properties that have been listed for a large number of days (>120) can be raised in price and then dropped in price a few days later. For example, if you look in a Listing Price History, you’ll see some properties that have been declining in price and suddenly have a price increase of \$5,000. Then a few days later, the price is reduced, often to what price it was a week before. The key word “Price Reduction” was used to trigger investor offers as this term is just one of several search terms used to find undervalued properties by investors.

For example, the price is \$100,000 after four price reductions and the next week it is increased to \$110,000 and a week later down to \$105,000. Buyers are notified by the auto-responder of a list price reduction. Buyers watching the agent’s auto-responder make offers and even if it is sold for \$100,000, it is better than sitting at \$100,000 and hoping for a buyer to drive by the property.

3. In short sales, two methods can be used to stimulate investor enthusiasm. In the first instance, the listing agent will list the property in excess of its market value and negotiate a short sale price. When the short sale is approved, the property is marketed by the buying investor just below the listing price which makes a prospective buyer think he is getting a great deal. The assumption by the uninformed buyer is that the Multiple Listing Service MLS® sets a guideline for value. Nothing could be further from the truth if the buyer is informed. However, if the buyer is a novice, he can be tricked easily into believing otherwise. The reality check comes in when an appraisal is required for conventional financing. If the buyer is a cash buyer he is likely to overpay for the property and not know the difference.

For example, the property is listed at \$90,000 while the homeowner agreed to a sale price of \$70,000. Remember in short sales, the homeowner really shouldn’t be concerned about the price he receives since he gets no money from the closing unless his lender authorizes a “cash for keys” program. These cash programs are becoming increasingly common lately and may be a source to motivate the seller to work with you on the short sale.

Once the short sale is agreed to, the investor markets the property to his email list and offers it for \$80,000. This price is below the listing price and appears to be a real bargain. Foreign buyers are easily trapped into believing they are getting a great deal when they may be paying FMV or higher because they rely on the listing prices in the MLS®.

In the second instance, the investor does a short sale and intentionally lists the property well below market value. The loss mitigation representative (LMR) sees the low listing price and approves the offer by the investor. Once the property has been given the approval for the sale by the LMR, the investor has the listing price changed to well above the actual FMV.

The listing agent now reduces the listing price slightly causing the Price Reduction to trigger investors to start making offers. One of these offers may actually stick and the first investor sells to the second one. In any case, the first investor will generate a rash of buyers for his buyers list. The first investor can take a substantially less offer than the listing price and still make a great profit.

In summary, these are only four ways to manipulate the listing price to induce buying. An investor or prospective retail buyer should do his due diligence by looking at what the property was purchased for and by whom, when it was purchased, the listing price history and how many days on the market (DOMs) it has been listed for, and if it is a short sale that hasn’t closed. Carefully examining these factors can give the buyer more information on the history of the property than just the listing price and agent’s comments.

To your limitless success,  
Dave Dinkel

P.S. - The office will be closed from Tuesday, - December 21<sup>st</sup> at 5:00pm until 9:00 am, Wednesday, December 28.

P.P.S. - Happiest of Holidays to everyone! See you Wednesday, January 4th at BREIA.