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Prices cut on 1 in 5 homes

The metro-area figures show that some spots are hit more severely.

By Aldo Svaldi
The Denver Post

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Nearly one out of five homes listed for sale in metro [Denver](#) have had price cuts, with reductions averaging 7 percent, according to a first-time market survey by online real estate search site Trulia.

Sellers usually know within a month, if not the first two weeks, whether the market has rejected their price.

Missing that window of opportunity can prove costly in both time and money.

"If you overprice by 5 percent, you are going to have to end up going below the market by 5 percent to make up for it," said Chuck Gadway, a broker associate with [Coldwell Banker](#) in Broomfield.

Overpriced homes that linger on the market cease to be the "shiny" penny on the table, requiring a larger discount to attract buyers, he said.

"When the market was shooting up, you had room for error," said Shellee Scherr, a broker associate with Signature Realty in [Wheat Ridge](#). "There isn't a lot of room for error. You want to reduce your price before the listing goes stale."

Although brokers have long tracked price changes on individual listings, Trulia has aggregated the information and made it available online, said spokeswoman Heather Fernandez.

She disagrees with the idea that once a home owner is forced to reduce a price that it's labeled damaged goods. Sometimes a price reduction in this down market can draw attention to a property rather than stigmatize it.

"Buyers in the market today are looking for value," Fernandez said.

Trulia's data covers 48 ZIP codes in the metro area and captures about 75 percent of the listings in the market, not counting foreclosures.

Of those listings, 18 percent got the original listing price wrong and had to cut.

That was the lowest mispricing rate among 15 metro areas Trulia examined. In [New York City](#), 39 percent of listings end up getting reduced, while a third of [Los Angeles](#) listings were reset

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lower.

But in five metro ZIP codes, 30 percent or more of listings suffered price cuts: Montbello's 80239, old Westminster's 80030, Lowry's 80230, northern Commerce City's 80022, and Green Mountain's 80228.

The biggest average price reduction was 15 percent in Federal Heights' 80260 ZIP code.

With so much information available on what homes sell for, why do so many properties list too high out of the gate?

For starters, big price cuts locally tend to correlate with areas of high foreclosures and distressed sales.

Sellers know their maintained homes should be worth more than heavily discounted bank-owned properties, but figuring out how much is more art than science.

"It is hard to sell a property in good condition when you are competing with something that is costing \$50,000 or \$70,000 less," said Betty Luce, a real estate agent with Nostalgic Homes in Denver.

Short sales, where a bank agrees to accept a sale for below the mortgage amount to avoid a foreclosure, are another complication.

Sometimes sellers price high initially to show the holder of the second mortgage, who is most at risk, that they have tested the market, and then

come lower, Gadway said.

In some areas, sellers must also compete against homebuilders who are discounting heavily. That appears to be the case in the 80022 ZIP code, which includes the Reunion development.

Psychology is another factor. Some sellers, remembering an appraisal from a refinancing two or three years ago, prefer to price on hope. And with listings harder to come by, some real estate agents will tell them what they want to hear rather than what they need to hear, Gadway said.

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How to price your home so it sells

Setting the right listing price for a home is important in a buyer's market. Here are some tips on how to do that from day one.

- Understand the trend. When home prices are moving lower, start at just under the market rate to avoid playing catch-up. Some savvy sellers price low enough to draw competing bids, netting more than they might have by starting higher.
- Know your home. Some sellers overprice their homes because they don't appreciate the upgrades and extras that comparable homes on the market have. Just because homes are nearby doesn't mean they have similar values.

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- Know your neighborhood. Are buyers in the area seeking a fix-and-flip or a trophy home? First-time buyers, a larger share of the market this year, want a good value without major renovations, while investors are often focused on the bottom line.
- Measure your endurance. Study how quickly homes are selling in the area, the absorption rate, and price accordingly. Some sellers price too high given their ability to wait out the market, only to surrender months later with a huge price cut.
- Don't kill the messenger. Some real estate agents tell sellers what they want to hear. The experienced and ethical ones will suggest a price even if the seller doesn't want to hear it. The first sell hope, the second will sell your home.

Sources: Coldwell Banker , Signature Realty

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