

## **What Determines The Price of a Property?**

Tony Clarke, managing director of Rawson Properties, says a property should sell for what a willing and able purchaser is prepared to pay and a willing and able seller is prepared to accept after both have compared their figures with those achieved very recently on similar properties in the same area.

He says that among home sellers, there will always be a tendency to think that the valuation given by the selling agent on the property is unrealistically low.

"It is nevertheless still often necessary for the agent today to get the seller to accept that the heady days of 2006-2007, when annual price rises in some regions were as high as 38%, are over and that current price levels are anything between 10% and 12% down on the previous peaks."

Clarke said that even when a valuation is backed up by comparative sales data of similar homes sold in the area and carefully researched reports from nationally respected analysts, a certain type of seller will still cling to "comments made at the dinner table, where these days everyone has become a residential property expert".

Although there are now clear signs of an upturn in the property sector by the end of this year, right now, said Clarke, it takes on average 14 weeks to sell an upper- or middle bracket home – 50% longer than it took two years ago. This, he said, does not indicate that demand has slackened to a standstill – rather it is a reflection of the tight money market and the current difficulties in getting bonds.

"The demand for homes is very definitely still there. If, however, the seller insists on overpricing his property – and the agent goes along with him – the following scenario will almost inevitably be played out: a fair proportion of the potential buyers will back off and not even bother to look at the home; others will look, but then put in a ridiculously low offer, almost as a slap-in-the-face to the seller for overpricing. The property will then stick on the market and pick up an unfortunate image – people will think that there must be something wrong with it, even though they themselves detected nothing.

"Eventually, when the property is at last sold, it will almost certainly achieve a price well below its true value – and the sale will probably have been handled by another agent, the first having lost the mandate and had his or her reputation dragged through the mud by the disgruntled seller."