

# Why it's important to get property pricing just right

Pricing an item for sale just right is always tricky, says Giel Viljoen, principal at Leapfrog Stellenbosch. Finding the sweet spot at which to price a property is something that requires professional skill and experience.



Source: Gallo/Getty

Viljoen believes that when priced right, nearly every property will sell faster than expected, irrespective of prevailing market conditions.

“Too often sellers want to price their property too high - against the advice of property professionals - because they believe it allows for downward negotiation, but the opposite tends to happen. Potential buyers see the high price and immediately lose interest,” he explains.

As such, pricing needs to be done thoughtfully and preferably with the guidance of a property professional who will ensure that the price is market-related but also takes the features and condition of the property into account.



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Samuel Seeff 3 Jul 2023



## Price it right the first time

The goal when selling a property is always to move it as quickly as possible before it becomes 'stale', he says.

“There’s a psychological aspect to seeing a property that has been on the market for months - potential buyers tend to avoid it, believing there is something ‘wrong’ with the property. And the reason, nine times out of ten, that the property is on the market for that long is because the price isn’t right. And yes, it could be that it’s too low,” Viljoen shares.

The right price is the sweet spot that considers the condition of the property, the location, the average price similar properties in the area have sold for in recent months, as well as the expectations of the seller, he notes.

Viljoen points out that it is important for sellers to understand that the market is ultimately what determines the price, not what you paid for the property initially, or how much you spent on renovations or what you think it should be worth.

“Sellers like to say, I paid R3m for this property five years ago so it must be worth R4m now, or whatever the case is, but it’s not that simple. If 80% of similar properties in the area sold for R3.5m then getting R4m will be difficult. Similarly, sellers often expect to earn the money they spent on renovations back - plus more - but it’s not quite that simple,” Viljoen says.

In some cases, R1m’s renovations will add that much value to a property but in many other cases, the value will be subjective - valuable to the property owner doing the renovations but not to the taste or preference of a potential buyer and thus not of the same value, he says.



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## The big L

As it’s been alluded to, location plays a critical role in the pricing of a property, says Viljoen, as the right price is one that is comparable to similar properties in the area.

Potential buyers are likely to be very familiar with the market in which they are looking, which means the property needs to be competitive with other similar properties in the area.

“Buyers today are very savvy - thanks to the online tools and resources that allow for information to be easily accessed - so they will know if a property is trying to punch above its body weight,” Viljoen says.



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## Price is emotional

As the seller, you’re likely to have a price in mind that you believe your property should sell for, which doesn’t necessarily

align to what the property is worth on the market, he says.

Remember that price is an emotional thing for many of us - and property comes at a big price - which is why it helps to work with a professional to ensure you get it right and then to trust them to get it right, says Viljoen.

The business magnate Warren Buffett famously said, "Price is what you pay. Value is what you get," which is exactly what happens in the property market, he notes. Price is based on a market-related estimate for your property, based on industry trends and research, demand in the area, as well as the features of your property, while value is more subjective and determined by what a buyer is prepared to pay for a property, concludes Viljoen.

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