

# Harmful Effects from Changing the Listing Price?

*We are again honored to have Ken H. Johnson, Ph.D. — Florida International University (FIU) and Editor of the Journal of Housing Research as our guest blogger. To view other research from FIU, visit <http://realestate.fiu.edu/>. - The KCM Crew*



Are there any negative effects from changing the listing price of a property? This question haunts Brokers/Agents as well as sellers of property every day. At present, there does not seem to be a consensus answer to this question within the professional real estate community. Fortunately, this question was scientifically investigated by John R. Knight. Unfortunately, few know the results of Professor Knight's research.

In Knight, the impact of changing a property's listing price is investigated. Additionally, the types of property that are most likely to experience a price change are also estimated. The findings from this research indicate that, on average, properties which experience a listing price change take longer to sell and suffer a price discount greater than similar properties. Furthermore, bigger price changes are found to experience even longer marketing times and greater price discounts. Finally, as for which properties are most likely to experience a price change, Knight finds that the greater the initial markup, the higher the likelihood that any given property will experience a listing price change.

Sellers as well as Brokers/Agents should therefore be aware of the critical necessity of getting the price correct from the start. Sellers wanting to over list will ultimately take longer to sell and will sell their property for less, on average, according to Knight. Brokers/Agents' desire to take a listing and get the price right later will ultimately lead to their working harder according to Knight, and they are not doing their sellers any favors. Thus, an initial and detailed analysis of the proper price is much more critical than many originally thought.

Interestingly, I have found in my own research that the direction (up or down) of the listing price change does not matter. A listing price increase and decrease both lead to similar results found in Knight's work – longer marketing times and lower prices. Therefore, get the price right from the beginning. It is best for all.