



## DO TODAY'S HOMEBUYERS REALLY WANT A CHEAP HOUSE?

Discounts, deals and financial incentives seem to be what homebuyers expect today. Is the prospect justified in seeking deep discounts for a brand new home, which is obviously the single largest investment of his or her life? Absolutely not!

However, since they ask for them anyhow, we'll consider the purchase from their point of view and the best way to respond.

To begin with, you shouldn't be surprised that they do ask for a discount. Almost daily, the media reinforces the concept that this is a buyer's market ... that inventory exceeds demand ... that we're in a housing "bubble." The not-so-subtle message from the media is: There are a bunch of homes for sale, so you can take your time shopping for one and negotiate when you find it.

As a professional salesperson, you should realize that, although customers bring up the topics of discounts and reduced pricing, they actually are concerned with more than that. Asking for a discount is frequently a form of entitlement, a way of saying, "Hey, I feel this is a benefit I deserve, so how about giving me a discount?" That sentiment is even more prominent today because they perceive that, since homes aren't selling quickly and they're one of the few buyers out there, they should be entitled to something extra - such as a discount.

Compounding the salesperson's frustration is having the prospect say, "It costs too much;" or "Your competition is giving bigger discounts;" or the classic, "You'll have to do better than that."

## SO, HOW DO YOU RESPOND WHEN YOU HEAR THIS?

From the start, it's crucial that you realize a price objection is not really an obstacle to having them buy one of your homes. In reality, an objection is simply a request for additional information. It's your chance to substantiate the value of your home and neighborhood. When prospects object to your price, they are inviting you to validate your price over the competition's offering. They are saying, "Please justify to me why I should pay what I perceive to be more for your home." Doing business with a builder who is concerned with guarding your personal equity and protecting the assessment value of the community?

### CONSIDER THESE SCENARIOS:

**Prospect:** I like your home, but the competition is priced \$20,000 less. (or) The competition is offering to discount their homes by \$20,000.

**Super Achiever:** I don't understand their business strategy! Mr. and Mrs. Prospect, why do you think they would do that?

**Prospect:** They are having a difficult time selling their homes. (or) They need to sell their homes. (or) Have you looked outside recently? There's nothing but for-sale signs up and down the street. Property just isn't selling, so I guess they want to do something to attract buyers. (or) I don't care/know why, but they are.

## HERE ARE SOME WAYS YOU CAN RESPOND TO THEIR REQUEST FOR A DISCOUNT:

**Super Achiever:** May I ask a question, please? Is a brand new home one of the single largest investments of your life? Will you be making one of the largest investments of your life based purely on incentives or how much the home is discounted?

**Super Achiever:** Every builder wants to get the maximum selling price for his homes. Wouldn't you agree? So, are you really getting a discount or are you paying the maximum amount they can get? I ask this because, if you think about it, in reality the discounted price is all the home is really worth.

**Super Achiever:** Are you comfortable with the thought that they are cutting prices and deals? I'm just a little concerned. Will you ever know if you got the best price or did someone else get a better deal than you did? And if they are having a difficult time selling their homes, will you be comfortable making the single largest investment of your life in a community where homes aren't selling? How will this affect their value long-term?

**Super Achiever:** Mr. and Ms. Prospect, I do not want to appear discourteous, yet I am puzzled. If you feel it is such a great price, why haven't you purchased one of their homes?

Remain silent and let them reply. They will probably say something such as: "I like the price, but do not want to live in the geographic area or in the community;" (or) "I like the price, but not the floor plans or housing designs."

**Super Achiever:** Ms. Prospect, while it seemed initially that price was your only concern, after talking with you for a while, I think that what you are truly seeking is the best value. Is that correct? Let's take a few moments to discuss what really is the best value for your family and what meets your investment needs.

**Super Achiever:** Mr. and Mrs. Prospect, I'll admit that not everyone can afford our new homes. That is a reality I have to face. And, if you're in that position, then please let me know and we'll focus on homes that are in your price range. However, if the sales price fits within your budget, then let's talk about value. Let's review what you'll be getting when you buy one of these new homes.

**Note:** *This may include its curb appeal, lot size, architectural style, infrastructure (water, sewer, sidewalks, tree-lined streets), community amenities, location, number of rooms, construction quality, builder's reputation and awards, appliances, "green" features, school-district desirability, neighborhood conveniences and proximity to water/mountains/beach/city/country/recreation.*

**Super Achiever:** Mr. and Mrs. Prospect, in many ways, a discount is really an admission of guilt by builders that they made a mistake and that they overcharged many other homebuyers in the past. Now they're saying, "We overcharged for them at first, but this is what the home is really worth."

Beyond their admission of guilt, this pricing strategy is the fastest, surest way to insure a meltdown of your personal equity and the meltdown of equity in the entire neighborhood. You won't get that from this builder or this community.

I'm curious. Mr. and Mrs. Prospect, are you familiar with how true real estate value is determined? In reality, the developer/builder or the salesperson representing the homesite/home does not determine value. **Value is based on comparable sales.** In other words, a professional appraiser says the property's market value is a certain amount based on recent sales of comparable properties.

If someone purchased a comparable home yesterday for \$350,000, and today you purchase the same model for \$300,000, and tomorrow someone negotiates the builder down to \$275,000, then what is the true value of that home?

Mr. and Mrs. Prospect, we do everything we can to protect the values of homes within our neighborhood and, consequently, the equity in your home. If a brand new home is going to be one of your single largest investments, then isn't it reassuring to know that you are doing business with a builder who is concerned with guarding your personal equity and protecting the assessment value of the community?

Our builder knows what his homes are worth. He built value into these new homes from their blueprint conception. This builder has a reputation for not sacrificing superior value for quick sales. He didn't cut corners or use less-expensive materials so he could afford to reduce prices later when the market tightened. If he didn't discount them when they were under construction, why would he discount them now?

**IF THE CUSTOMER FIRMLY DEMANDS THAT YOU SUBMIT A WRITTEN OFFER AND YOU ARE FORCED TO WRITE THE AGREEMENT FOR LESS THAN THE STATED VALUE, THEN PROCEED WITH THE FOLLOWING STRATEGY:**

**Super Achiever:** Do I understand you correctly, Mr. and Mrs. Prospect? Are you saying you like this home and, if it were \$20,000 less, you would own it today?

**Prospect:** I suppose I would.

**Super Achiever:** Then may I suggest that, since you seem firm in your position, we prepare the paperwork "subject to" the builder meeting your request for a \$20,000 price reduction. This way the process has begun. We have secured your home and if, by chance, the builder does not agree, we will simply start over. That makes perfect sense, doesn't it?

**Prospect:** Rather than prepare the paperwork, can you first check with your builder and see if this is even possible?

**Super Achiever:** For any type of offer to be valid, consideration and an agreement are necessary. In other words, to have a valid and binding agreement, we need to prepare the paperwork complete with your request and the initial investment. So, let's do that now and I'll present it in writing to the builder along with your deposit check, okay?

**Prospect:** We would be much more comfortable if you would simply run this by the builder first **verbally** and see where he stands. If it's acceptable, we can prepare the paperwork afterward.

**Super Achiever:** In addition to not having a valid agreement, Mr. and Mrs. Prospect, without the paperwork and the deposit check, my builder would not even consider your request. And without him looking at it, your answer is an automatic "no." However, if I present your request with consideration and an agreement, then possibly the answer would be yes or he'd give us a counteroffer. So, as you see, in order to move your request forward, we must prepare the paperwork first. Let's do that now, so I can present your request by the end of the business day.

This approach has the added benefit of being able to find out how serious your buyers really are.

## **AFTER PREPARING THE PAPERWORK AND OBTAINING THE DEPOSIT CHECK:**

**Super Achiever:** Mr. and Mrs. Prospect, I appreciate your position and understand you want assurances that this home/homesite is the best value available. I can assure you that this home is an excellent value; however, I can't assure you that the home will become yours. In all honesty, it would be out of the ordinary for the builder to accept your reduced-price offer. I don't want to give you false hope or have you disappointed, so how do you feel about devising a "plan B" scenario?

Let's review the \$20,000 amount that you are asking the builder to reduce from the price. I sincerely appreciate your concern and \$20,000 seems like a major amount until you break it down. (Hand the prospects a calculator and allow them to work through the math with you.) At today's interest rates, for every \$1,000 you finance, your monthly investment is \$7 per thousand financed. (The number will change according to prevailing rates.) That means the \$20,000 difference you seek is in reality \$140 a month. I realize also that, at first glance, \$140 per month seems like a lot; but break that amount down on a daily basis. In a 30-day month, the \$140 becomes only \$4.67 a day. Mr. and Mrs. Prospect, I bet you spend \$4.67 a day on bottled water, a cup of coffee, or other kinds of insignificant items, don't you? Well, for the cost of these, you can own the brand new home of your dreams.

I know this may seem ridiculous, but if you reflect on it, \$20,000 isn't really that much over the long term. So, as a backup plan, if your offer is not accepted as presented, you're not going to let \$4.67 a day stand in the way of owning the home you really want and deserve, are you?

When presenting the counteroffer to the prospect that evening or the following day, you can soften its impact by translating the counter-amount into to a daily figure. Seeing it in a smaller number may speed up their decision-making process and lessen the blow of having to make a concession.

## **A FINAL THOUGHT:**

People buy based upon perceived value. Although they won't admit it, your homebuyers are probably relieved to learn that you and the builder value their new home enough that you won't readily and easily discount its price ... to anyone. The subtle inference is, "Whoever buys our homes can afford to pay the price for value." This is a self-medicating thought ... one that gives your buyers comfort.

Many, many years ago there was a popular brand of men's high-end sports shirts manufactured by a French company named Lacoste, which was Izod Lacoste in the U. S. They had a little crocodile logo on the front. Aside from their quality material, what made the shirts special at the time was that their prices were NEVER discounted. If you owned one, everyone knew you paid the full amount for it. Although this pricing strategy changed later, it nevertheless left an impression.

It's the same kind of impression that you'll leave when you sell your homes without discounted pricing — and the key word here is "sell." You sell the prospect on the benefits of owning one. You sell your prospect on the home's attributes and amenities. And you sell your prospects on how their home's value remains steadfast because the builder doesn't discount quality or prices.

When everything is said and done, the homebuyer will feel reaffirmed to have made a lifestyle choice rather than one based upon discounted pricing.