

How to Use the Auction Effect to Sell Your House Faster

*This approach has also been called **How to Sell Your House in 24 Hours...but you can take a whole weekend!***

Have you ever noticed that some houses seem to sell as soon as they go on the market, and others just sit there for weeks or months? What's the difference?

There is a principle in psychology called scarcity – it's the desire that's in all of us to want something that we can't have.

There are some strategic ways the illusion of scarcity can be orchestrated and it often appears in real estate situations without people even knowing that it's there. For instance, have you ever heard of a situation where more than one person was interested in a house? In those situations, there was a bidding war, where several buyers competed for the same house.

In most cases like this, the house will sell for more than the owners are even asking – and the buyers feel great about it because they won. Someone else wanted the house, but *they* got it. Situations like this are called the **auction effect**.

Something you **MUST KNOW** about the auction effect is that it dies out. As a real estate agent, I see many homes that have sold quickly at a high price due to an auction effect. But then the buyer backs out or doesn't get their loan, or something else.

The result is that the house goes back on the market. Once back on the market, the auction effect is gone, and that house will often sit for weeks gathering dust. Eventually the home will sell, often with the sellers dropping their price a bit.

However, as someone who has studied the Auction Effect, I know that it can be revived, even on a house that has languished unsold for weeks. The easiest way to do that is create two short listing periods. After the first expires, recreate the auction-effect with the new listing.

So how do we create an auction effect?

Pre-Selling to Create the Auction Effect

As you know, as soon as you list your house, a real estate agent enters it into the MLS (Multiple Listing Service), where it becomes a “listing.” This is where many real estate agents stop. They list your house, put it on the MLS, add a sign to your front lawn, then they move on. They are relying on other real estate agents to sell your house through the MLS service. When an offer comes in, they step back in to manage the sale.

There’s nothing wrong with that – as long as houses in your area are selling quickly by this method. If it works, there’s nothing to complain about.

However, it does leave some stones unturned. For one, there are vast numbers of new listings, and unless your listing is in a prime area of high desirability, where buyers are ready to leap on any new listing, you may not get the auction effect automatically.

To create the powerful auction effect requires getting as many buyers as possible to see the property simultaneously – or at least within a few hours of one another. The more that we can get buyers to see other buyers going in and out of the house, the more desirable and scarce your house will seem.

To ensure you get the auction effect, we have to attract a crowd. Here’s what we can do.

Don't know what goes here

I list the home at the right time to ensure that people can first see it only during an open house on the first weekend of the listing. Imagine, 80 couples all cramming into your house over a weekend, looking at it to buy. Now that's an auction effect!

But it's not just buyers I want to attract. I also go through the neighborhood and pass out open house flyers inviting the neighbors. On this open house invitation, I play little games designed to attract the neighbors to the home. The whole point is to create energy by having people there. And who knows...maybe one of the neighbors knows someone who wants your house!

In addition to handing out flyers and timing the listing, I also conduct a broker's open house tour. Often real estate agents don't have time to familiarize themselves all the new listings. When a buyer contacts them, the buyer might not know about your area, even though your house is exactly what they want. If your home is familiar to their agent, they're more likely to take those buyers there.

Finally, on each of your listing flyers that go in the flyer box, I might put a limited amount of information, and then invite them to call a recorded message where they can hear more details. The message is designed to whet their appetite about seeing your home. The message lets them know when it will be open, but it also makes them feel like they absolutely have to see that home!

The day before the open house, I might place many signs pointing the way to the open house...but not add the final sign in front of your house yet. Instead, I would add a sign that tells people when it will be open. I want to create energy about seeing the home.

Pre-selling Summary

OK, that takes care of pre-selling. In summary:

1. List the house on the MLS and add a sign to the yard
2. Announce the open house as the first opportunity to view
3. Invite brokers to a preview just before the public open house
4. Hand out 500 flyers inviting the neighbors
5. Add special messaging or a recorded message to the property flyers
6. Use great signage to create energy and excitement

What happens next is equally important. Next come the selling.

Selling During the “Auction”

Now that the energy has been created and people are showing up, the next thing is to make sure that everyone who is thinking about making an offer *makes* the offer.

See, people are impulse buyers, even when it comes to houses. When they see one they like, they want to own it. If they have a lot of homes on their list to view, it's possible they'll forget about your house when they see another one they like.

And if they've already seen a lot of houses, and they like yours...AND they see all these other people liking yours, they are more inclined towards making an offer—because they don't want to risk losing it. And the problem is they're right. They could lose it. The auction effect is designed to get an offer quickly. So there is a good chance that if they don't make an offer, someone else will.

Getting Someone to Make an Offer

How do we get someone to write an offer in the first place? How do we tip them off the fence onto the side of making the offer?

We tell the truth. We tell them how many offers we think we have coming in. We mention the number of competing homes in the area, or the price, or the fact that they haven't seen anything like it before.

We raise whatever "selling points" we can. If possible, we ask them what they like about the house, and how it compares to other houses they've seen. We ask them to place themselves in the house, to imagine living there. We explore where the furniture would go. We overcome the problems – the fact that the living room is a little small or that the yard is too steep, etc. We emphasize what they like and solve the problems, if possible.

And we ask for offers. We tell everyone that we will be reviewing offers by Monday evening, just to create a sense of scarcity. If we have offers, then we will review them by Monday evening.

Helping Buyers Make Decisions

Finally, we don't talk down to anyone. People know what they like and don't like. We don't pretend homes are perfect. If someone doesn't like the small living room, we ask if they love the rest of the home enough to overcome the living room size.

We explore options with them. Often people are not as imaginative as we think they are, so a little exploration of the home helps them imagine themselves there. I can't tell you the number of times I've been with buyers who've found the perfect home for them, but for some small feature. Then after looking at 20 more homes, they regret not making an offer on that perfect home when they had the chance.

If, by the end of the first weekend, you don't have an offer, we do a scaled back version of the same open house the next weekend. Any time within the first 9 days of your listing, your home is still considered a "new" listing by most buyers, so those who didn't see it the first weekend, will still be excited to see it the second.

If there is no offer after the second weekend, then we go into greater depth with marketing.

Final Word

So, when you're considering listing your home, work with a savvy agent (like me) who knows these tricks and techniques that make all the difference in how fast your home sells and for how close to your asking price.