
DO OPEN HOUSES WORK...OR ARE THEY A WASTE OF TIME?

THERE ARE DEFINITE REASONS TO HOLD OPEN HOUSES, AND REASONS TO NOT. READ MORE TO EVALUATE YOUR BEST COURSE OF ACTION!

When you hire a real estate agent to sell your home, one of the first things they'll suggest is hosting an open house so that potential buyers can casually check out your property on a weekend afternoon. But while open houses are promoted by agents as a great way of finding a buyer, a US study by the National Association of Realtors (NAR) found that the success rate of open houses is a mere 2% to 4%. Similar studies in other countries have mirrored these results.



That means out of 100 open houses, only 2 to 4 homes are purchased by buyers who came through the open house. Of course, the vast majority of open houses are not conducted well, and many are unnecessary. Out of 100 open houses, perhaps only 20 are done correctly.

They're held at the wrong times, wrong days of the week, wrong times of the year. They are not marketed effectively, the homes are not prepared, and the agents are unskilled at communicating value

to potential buyers. Eliminating the 80 useless open houses would make the purchase percentages look more like 10% to 20% of homes being sold on open house. In other words, the chances of selling your house based on an open house are higher if the open house is done well, according to best practices.

Consumer sentiment about open houses has waxed and waned over the years, along with the ups and downs of the real estate market. In 1995, 41% of sellers tried open houses to sell their homes, according to data from NAR. By 2000, it had dropped to 28%. Beginning in 2003, however, as the market started to heat up again, that number began rising. By 2014, 51% of all sellers were using open houses, though not all agreed they were effective.

Some 45% of sellers have recently found open houses only "somewhat useful" and another 12% didn't consider them useful at all, according to the NAR. This is survey data, so there is no evaluation of what those sellers meant by "useful" and "somewhat useful."

So with all the sketchy data, why do real estate agents still promote open houses as a listing and selling tool? Let's look at a few arguments for and against open houses, and explore the pros and cons.

REASONS NOT TO HOLD AN OPEN HOUSE

There are many people—agents and consumers—who argue against open houses. Some sellers just don't like the idea of random people and

neighborhood "lookie-loos" traipsing through their house. Some are concerned about theft.

Some agents are concerned about their own safety when holding an open house, especially in out-of-the-way locations. Some agents consider it a waste of their time, based on the low potential results...they'd rather be managing other aspects of their business (or golfing) during that time.

One of the main arguments used by sellers and the general public against open houses is that agents only use them to find buyers that they'll take away to other houses.

But this is not necessarily a bad thing. Real estate is a community product and selling it is a community event. Buyers may meet an agent at *your* open house, then go buy another house...but another buyer somewhere is meeting *another* agent at *another* open house, and that agent is bringing the buyer to your house.

Open houses bring buyers out. By having an open house, you're contributing to the overall health of the industry. As many as 45% of buyers use open houses to research the market. Many go to open houses, then discover they like the neighborhood and look for other homes in that area with their agent. Your house might be one of their "test" houses, or it may be one that they decide to buy because of another person's open house in your neighborhood. It's a network.

REASONS TO HOLD AN OPEN HOUSE

In addition to being part of a network of buyers and home sellers, consider these five additional reasons to hold an open house:

1. GET "SHOPPERS" OUT OF THE WAY

A lot of buyers will want to see your house as soon as it's listed. You can quickly become overwhelmed by the repeated appointment requests. Showing your home is disruptive and quickly becomes annoying. Having to keep the place clean and be ready to vacate on the spur of the moment may

seem fine for the first two days or so, but you'll quickly lose patience.

A better approach would be to take a day trip away from your home on the first weekend of your listing and let your agent hold an open house.

Your agent can get a ton of those early "shoppers" through your house at one time, rather than bothering you with appointment after appointment. Most of those buyers (99.9%) will eliminate your house as an option during the open house. Some will want to view it again. And some very small percentage may want to make an offer. But the biggest reason to hold the initial open house is to get the lookie-loos and initial round of buyers out of the way. They're just shopping, not buying.



You may want to ask your agent to hold the house open on both Saturday and Sunday of that first weekend. By doing a "new listing" open house, you won't eliminate all appointments (some people can't come during the open house time), but a large percentage will come during the open, and that means those people won't be bothering you during the week to set appointments.

2. CREATE AN "AUCTION EFFECT"

There is a principle in psychology called scarcity – it's the desire that's in all of us to want to get something valuable before someone else does. 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 sold for more than the owners were asking – and the buyers felt great about it

because they won. Someone else wanted the house, but they got it first!

Situations like this are called the auction effect. Your agent can orchestrate a sense of scarcity using an open house as the centerpiece of a plan to generate a lot of interest very quickly. Again, this is best done at the start of the listing period, or at a significant price reduction if the house hasn't sold yet.

3. RAISE THE PROFILE OF A COMMUNITY

While open houses may be declining in many parts of the country, some neighborhoods are finding them effective ways to raise the profile of an entire community, if a number of open houses are all done at the same time.

Recently, four neighborhoods in the Lemon Grove area of San Diego teamed up for a joint open house with 25 of the area's homes open for viewing on a single day. The result was that the entire area saw a spike in sales of 20%.



4. GET VALUABLE FEEDBACK

A new listing open house is a great time to get feedback on the property. Information is valuable. Your agent should be asking things like, "How does this house compare to others you've been seeing?" "What do you like about the home?" "What would prevent you from making an offer?" Your agent can use different techniques to gather feedback, such as surveys, direct conversation, feedback forms, etc.

It's very important that you then take that information to heart. If you keep hearing the same

messages over and over again, then those things are real. Those are the very things MAY prevent your home from selling for as much as you'd like, or as quickly as you like. It doesn't hurt to listen and then have an open-minded discussion with your agent about how to remedy those issues.

Contrary to popular opinion, most agents are not trying to keep your house price artificially low in order to move it out of inventory and get paid faster. Most agents will just tell you the truth, and back it up with evidence, including comments by buyers.

5. SHOWCASE A UNIQUE PROPERTY

In some cases, a house is just too unique to market without an open house. Art professor Mercedes Teixido and her husband had three open houses in six weeks showcasing their Pasadena, California home. Their house, they say, was the kind you had to see to believe. "It had a unique sensibility," Teixido said, with spacious rooms and a large amount of built-in furniture that was crafted by hand. Sometimes you have to get people into a house in order to get them to fall in love with it. Many houses in less desirable locations have sold because someone went inside on an open house and fell in love with it.

FINAL WORD

When you hire me to represent you in the sale of your home, we'll discuss the pros and the cons to having open houses as part of your marketing plan.

I'll let you know what's happening in the market—whether open houses are effective right now or not—and whether your house would benefit from open houses, given its style, price, and location.

Please call to set a listing appointment, if possible at least 2 months before your planned move.