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Precision in a Seller's Market: Round Asking Prices Lead to Higher Counteroffers and Selling Prices

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Abstract. Precise, compared with round, asking prices lead to counteroffers and final agreements that are closer to the asking price. Consequently, popular advice for sellers is to set precise asking prices. We propose that the advice is useful, but only in a buyer's market, in which buyers counter below the asking price. In a seller's market, in which buyers counter above the asking price, sellers who wish to receive high counteroffers and sell for high prices should set round asking prices. A preregistered study (n = 1,809) shows that, compared with round asking prices, precise prices lead to higher counteroffers in a buyer's market but to lower counteroffers in a seller's market. The effect is driven by buyers' use of a finer-grained pricing scale when countering precise asking prices. An analysis of transactions (n = 8,278) from Amsterdam's 2017 real estate market, in which 70% of the properties were sold above the asking price, corroborates the experimental findings. Results show that increasing the roundness of the asking price by one decimal, for instance, from precise to the thousands to precise to the tens of thousands, was associated with an increase of 0.6% in the selling price, equivalent to €2,099 on average.

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In negotiations, asking prices serve as anchors, affecting the counteroffer and final agreement (Thompson 1990, Ritov 1996, Bazerman et al. 2000, Galinsky and Mussweiler 2001). Precise asking prices, such as $249,800, are stronger anchors than round ones, such as $250,000 (Janiszewski and Uy 2008, Mason et al. 2013, Loschelder et al. 2014). As a result, precise asking prices lead to counteroffers and final agreements closer to the asking price. One driver for this "precision effect" is buyers' tendency to use a finer-grained numerical scale when countering precise, compared with round, asking prices (Janiszewski and Uy 2008, Frech et al. 2019). Accordingly, a popular advice for sellers who can set the asking price and seek to sell for the highest price, is to set precise rather than round asking prices (Dizik 2014). But should sellers always set precise asking prices? Alternatively, is setting precise asking prices suboptimal when buyers counter above the asking price?

Buyers often counter above sellers' asking prices. Buyers do so (a) when an excess of demand and a shortage of supply at a certain price point lead them to compete over scarce goods (e.g., when sellers adjust more slowly than buyers to market fluctuations and set asking prices that are lower than what buyers are willing to pay) or (b) when sellers strategically set low asking prices to lure as many potential buyers as possible to make an offer (Ku et al. 2006, Koster and Rouwendal 2017). In real estate markets, desirable properties often receive offers higher than the asking price. Indeed, in 2017, in central cities in the United States, such as Seattle and San Jose, over 50% of real estate properties were sold above the asking price (according to Zillow.com, a large real estate website in the United States). Similarly, in the Netherlands, 70% of the properties in Amsterdam were sold above the asking price in 2017 (Calcasa 2017).

Settings in which buyers typically counter above the asking price place sellers in a stronger bargaining position and are commonly referred to as "a seller's market" (Perrucci et al. 1983, Hunt et al. 2009).

By contrast, settings with excess supply that allow buyers to counter below the asking price are commonly referred to as "a buyer's market." Here, we test the price-precision effect in these two markets. In particular, we suggest that for sellers seeking to maximize profit, precise asking prices are beneficial in a buyer's market but detrimental in a seller's market.

Price Precision in a Seller's Market

Precise numbers serve as stronger anchors than round numbers in estimations and negotiation decisions (Zhang and Schwarz 2013, Loschelder et al. 2017). In a series of experiments, Janiszewski and Uy (2008) had participants estimate the cost of various items, providing them with round or precise anchors. For example, participants were asked to imagine purchasing a plasma TV and then estimate the TV's actual cost to the retailer. Participants who were informed that the price was lower than $4,988 (a precise price) estimated the retail cost as closer to the precise price than did participants who were informed that the price was lower than $5,000 (a round price). The reason is scale granularity—the tendency to use a finer-grained mental scale when considering precise compared with round prices—leading people to adjust away less from a precise, compared with round, anchor (Janiszewski and Uy 2008, Frech et al. 2019). In negotiations, precise prices serve as stronger anchors for the negotiated agreement than round prices (laboratory evidence, Mason et al. 2013, Loschelder et al. 2014; field evidence, Janiszewski and Uy 2008, Thomas et al. 2010; meta-analytical evidence, Loschelder et al. 2019).

A key setting in which price precision affects people's financial outcomes is the real estate market. In a real estate buyer's market, buyers often counter below the asking price and end up paying more for properties with precise, compared with round, asking prices. For example, Thomas et al. (2010) analyzed the housing market in South Florida and Long Island. Results revealed that every additional zero at the end of the asking price (i.e., less precise prices) decreases the selling price by 0.17% in Long Island and 0.09% in South Florida (on average, approximately $1,004 and $293, respectively). Similarly, Janiszewski and Uy (2008) assessed the price-precision effect in Florida's housing market across five years. Again, the more precise the asking price, the higher the selling price. Neither real estate analyses assessed transactions in which the selling price was higher than the asking price (Janiszewski and Uy 2008, Thomas et al. 2010). The reason was that in a buyer's market, countering above the asking price is a relatively rare event. Therefore, buyers who counter above the asking price in those market settings may be especially focused on competing with other potential buyers and thus less influenced by the precision of the asking price (Thomas et al. 2010).

Whereas the evidence for a price-precision effect in a buyer's market is accumulating, little is known about price-precision effects in a seller's market. Studying precision effects when buyers counter above the asking price is important, because (a) precise asking prices are prominent in seller's markets, and, (b) theoretically, they should prove detrimental for the sellers. First, among properties ($n = 3{,}969$) listed in the top three most competitive housing market cities in the United States (Fremont, CA, San Jose, CA, and Seattle, WA; ranked by Redfin.com, November 2018), 49% had asking prices precise to the thousands, 10% precise to the hundreds, and 21% precise to the tens or ones. Clearly, precise asking prices are popular in markets where buyers counter with and pay above the asking price.

Second, we hypothesize that precise compared with round asking prices elicit counteroffers closer to the asking price, independent of whether the market is a buyer's or a seller's market. As such, precise asking prices will be beneficial for sellers in a buyer's market but detrimental for sellers in a seller's market. In a buyer's market, when buyers counter below the asking price, sellers aim to reach an agreement that is as *close* as possible to their asking price. Between two sellers who set almost identical asking prices, the one setting a precise (rather than round) asking price will receive counteroffers (and accordingly, a selling price) closer to the asking price. This outcome is desirable for sellers. By contrast, in a seller's market, in which buyers counter above the asking price, sellers aim to reach an agreement as *far away* as possible from their asking price. Between two sellers who set almost identical asking prices, the one setting a round (rather than precise) asking price will receive counteroffers (and accordingly, a selling price) further away from the asking price. This outcome is desirable for sellers. Specifically, our preregistered[1] hypotheses were as follows:

Hypothesis 1. In a buyer's market, where buyers counter below the asking price, precise (compared with round) asking prices lead to higher counteroffers, in turn benefiting the seller.

Hypothesis 2. In a seller's market, where buyers counter above the asking price, precise (compared with round) asking prices lead to lower counteroffers, in turn harming the seller.

We test the hypotheses focusing on the effect of precise versus round asking prices on *counteroffers* in

an experiment (Study 1), and *real estate selling prices* by analyzing transactions in Amsterdam in 2017, where over 70% of the properties were sold above the asking price (Study 2).

Study 1

Participants and Procedure

Our preregistered plan was to collect responses from 2,000 Amazon Mechanical Turk participants to obtain sufficient variation of relevant demographic variables, such as experience with buying and selling a real estate property. The study took five minutes on average, for which participants received \$0.15. Because of a slow response rate after having collected 152 responses, we increased the payoff to \$0.25. In total 2,086 participants took part in Study 1.

All participants read a scenario prompting them to take the role of a person interested in buying an apartment. Participants learned about an apartment's asking price and were asked to make a counteroffer. Each participant could make one counteroffer only and received no information about the counteroffers made by other participants.

Between participants, we manipulated the type of market to be a seller's versus a buyer's market. As a second between-subjects factor, we manipulated the precision of the asking price to be round versus precise to the hundreds. To assess the robustness of the effect, we varied the precise asking price to be above or below the round asking price (see Janiszewski and Uy 2008, Mason et al. 2013, Loschelder et al. 2014). Lastly, within subjects, we varied the price range of the asking price to be in the range of ~\$150,000, ~\$250,000, and ~\$350,000, such that each participant read three scenarios and provided counteroffers to three randomly presented asking prices. Hence, participants in the round asking price condition made counteroffers to asking prices of \$150,000, \$250,000, and \$350,000. Participants in the precise below condition made counteroffers to asking prices of \$149,800, \$249,800, and \$349,800, and those in the precise above condition made counteroffers to asking prices of \$150,200, \$250,200, and \$350,200. Overall, the complete design was a 2 (market type: seller's vs. buyer's market) by 3 (price precision: round vs. precise below vs. precise above) by 3 (price range: ~ \$150,000 vs. ~ \$250,000 vs. ~ \$350,000) with the first two as between-subjects factors and the last as a within-subjects factor.

Participants in the seller's (buyer's) market with round (precise) asking price in the range of ~\$250,000 read the following scenario: "Imagine that you want to buy an apartment. After a few weeks of looking, you found an apartment you like. This apartment is in a great location and has the exact facilities and rooms that you want. The seller's asking price for the apartment is \$250,000 (\$250,200/\$249,800). After researching the housing market in your area, you discovered that there are less (more) sellers who want to sell their apartment than potential buyers who want to buy an apartment. This means that buyers usually offer a price that is higher (lower) than the asking price (i.e., higher (lower) than \$250,000 (\$250,200/\$249,800)). How much would you offer for this apartment?"

After submitting their counteroffers, participants answered two questions that served as our preregistered exclusion criteria: (1) a manipulation check, in which participants read short descriptions of a seller's and a buyer's market and were asked to indicate which of the two market scenarios fit the one they had read about, and (2) an attention-check item asking participants to tick a specific box to ensure they had carefully read the instructions. Participants who answered either question incorrectly were excluded from all analyses.

Participants further reported whether they were in the process of, or had experience with, buying or selling a real estate property, and if so, whether they were assisted by a real estate agent. Additionally, participants read a short description of Janiszewski and Uy's (2008) findings and indicated whether they were familiar with those findings. Lastly, participants reported their age, gender, household income, and whether they are/were real estate agents (see the supplementary online materials (SOM)).

Exclusion. Of the total 2,086 participants who started the task, 2,027 made counteroffers to all three prices (6,081 counteroffers in total). Omitting responses based on the first two preregistered criteria led to the removal of 194 participants who failed the manipulation check and 24 participants who failed the attention check. Thus, our total sample consisted of 1,809 participants ($M_{age} = 37.15$, $SD_{age} = 12.66$; 55.33% female).

Our third preregistered exclusion criterion was to eliminate counteroffers that were inconsistent with the market to which participants were assigned, that is, counteroffers that were higher (lower) than the asking price in the buyer's (seller's) market condition. However, in real life, buyers are free to make counteroffers in ways that do not correspond to the market they are in. Thus, as a more conservative test of our hypotheses, we report the results including counteroffers that did not follow the market rules in the paper. Excluding these counteroffers did not change the obtained results (see the SOM).

Among the included counteroffers, the data contained unanticipated extreme counteroffers (e.g., \$15 or \$2,498,000). Such counteroffers are present for three potential reasons: (1) typing errors, such as accidently adding a zero when typing \$249,800,

resulting in $2,498,000; (2) making counteroffers in thousands of dollars, without adding zeros, such as by typing $225 to indicate $225K; or (3) not taking the task seriously, countering with unrealistic offers, such as $15. To minimize outlier effects, we included only counteroffers in the range of three standard deviations above or below the mean counteroffer in each price range (see Thomas et al. 2010).

Overall, of the 6,081 counteroffers made by participants who completed the task, 753 counteroffers (12.38%) were excluded. The final data set thus contained a total of 2,534 counteroffers in a seller's market and 2,794 counteroffers in a buyer's market.

Results

Counteroffers

Table 1 depicts the means and standard deviations of the counteroffers per condition. To assess the effect of price precision on counteroffers, we employed a 2 (market type: buyer's vs. seller's market) by 3 (price precision: round vs. precise below vs. precise above) by 3 (price range: ~150K vs. ~250K vs. ~350K) repeated-measures ANOVA with the first two factors as between- and the last as a within-subjects factor to predict counteroffers. Supporting our hypotheses, the analysis revealed a significant price precision × market type interaction, $F(2, 1743) = 28.12$, $p < 0.001$, $\eta^2 = 0.031$. A simple effect analysis revealed that in a buyer's market, counteroffers were lower when the asking price was round ($M = \$209{,}313.28$, $SD = 24{,}488.65$) than when it was precise above ($M = \$216{,}527.35$, $SD = 25{,}061.54$), $p < 0.001$, or precise below ($M = \$217{,}362.68$, $SD = 27{,}430.35$), $p < 0.001$. Further, counteroffers were lower when the asking price was precise above compared with precise below, $p = 0.040$. By contrast, in a seller's market, counteroffers were higher when the asking price was round ($M = \$256{,}581.62$, $SD = 23{,}433.89$) than when it was precise above ($M = \$252{,}780.25$, $SD = 21{,}044.49$), $p = 0.025$, or precise below ($M = \$250{,}662.86$, $SD = 22{,}360.98$), $p < 0.001$. We found no difference between the counteroffers to precise above and precise below asking prices, $p = 0.082$.

Further, we found a main effect for price range, $F(2, 3486) = 52{,}862.84$, $p < 0.001$, $\eta^2 = 0.968$. Counteroffers were higher when the asking-price range was ~350K ($M = \$328{,}897.06$, $SD = 36{,}572.84$) than when it was ~250K ($M = \$233{,}023.86$, $SD = 34{,}165.70$), and higher when the price range was ~250K than when it was ~150K ($M = \$138{,}881.85$, $SD = 24{,}649.31$), ps < 0.001. Lastly, counteroffers were higher in the seller's market ($M = \$253{,}373.24$, $SD = 22{,}416.24$) than in the buyer's market ($M = \$214{,}376.03$, $SD = 25{,}888.56$), $F(1, 1743) = 1{,}520.94$, $p < 0.001$, $\eta^2 = 0.466$. All reported effects were robust to having (vs. not having) experience with the real estate market (see the SOM).

Scale Granularity

We ran an exploratory moderated-mediation analysis testing whether scale granularity underlies the price precision effect. Because of the crossover price precision × market type interaction predicting counteroffers, the main effect of price precision was not significant. Because in both markets precise prices lead to less adjustment away from the asking price than do round asking prices, we used the absolute gap between the counteroffer and the asking price as our dependent variable. Doing so allowed us to assess the moderated mediation analysis in one model. Similar to previous work (Loschelder et al. 2016, 2017), we computed the mediator, the counteroffer's precision, to be the number of digits equal to zero at the end of

Table 1. Means (SD) Counteroffers (in $US) per Market Type, Price Precision, and Price Range in Study 1

				Counteroffers					
	Asking price			Buyer's market			Seller's market		
Price range	Round	Precise 100s below	Precise 100s above	Round	Precise 100s below	Precise 100s above	Round	Precise 100s below	Precise 100s above
~150K	150,000	149,800	150,200	120,463.25 (16,983.38)	127,235.10 (19,231.24)	125,969.77 (19,202.48)	158,695.78 (20,070.39)	151,122.27 (22,717.13)	154,353.96 (17,195.75)
				$n = 313$	$n = 303$	$n = 319$	$n = 285$	$n = 278$	$n = 282$
~250K	250,000	249,800	250,200	209,399.96 (26,404.45)	218,559.94 (26,643.61)	216,746.89 (26,806.01)	255,741.53 (33,087.38)	251,427.66 (27,028.46)	252,123.08 (28,903.99)
				$n = 315$	$n = 301$	$n = 320$	$n = 287$	$n = 277$	$n = 282$
~350K	350,000	349,800	350,200	299,184.29 (29,519.28)	313,121.83 (24,144.93)	308,944.16 (30,298.51)	356,226.76 (29,936.49)	348,872.62 (32,481.26)	353,549.67 (20,131.29)
				$n = 312$	$n = 293$	$n = 318$	$n = 284$	$n = 279$	$n = 280$
Overall				209,313.28 (24,488.65)	217,362.68 (27,430.35)	216,527.35 (25,061.54)	256,581.62 (23,433.89)	250,662.86 (22,360.98)	252,780.25 (21,044.49)

the counteroffer, divided by the total number of digits in the counteroffer. A higher proportion indicates more zeros at the end of the counteroffer, that is, the counteroffer was rounder. We further averaged the counteroffer precision across the three price ranges. Finally, we collapsed the precise below and precise above conditions, because we found no differences between them.

A moderated mediation analysis using a bootstrapping procedure with 5,000 iterations (Hayes 2013, model 7) tested whether the counteroffer's precision mediated the effect of price precision on the absolute gap between the counteroffer and the asking price. It further tested whether market type moderated this relation. Results revealed price precision predicted the absolute gap, $b = 7{,}184.32$, $t(1{,}790) = 6.38$, $p < 0.001$, 95% CI = (4,978.12, 9,390.53). Counteroffers were further away from the asking price when it was round ($M = \$30{,}105.70$, $SD = 23{,}046.31$) than when it was precise ($M = \$22{,}921.37$, $SD = 22{,}231.51$). Second, price precision predicted the counteroffer's precision, $b = 0.03$, $t(1{,}788) = 2.05$, $p = 0.039$, 95% CI = (0.002, 0.072). Precise asking prices led to more precise counteroffers ($M = 0.56$, $SD = 0.13$) than round asking prices ($M = 0.62$, $SD = 0.09$). The market type × price precision interaction predicting the counteroffer's precision was not significant, $p = 0.199$. When we added the price precision and counteroffer's precision into the analysis, both the counteroffer's precision, $b = 86{,}627.06$, $t(1{,}789) = 22.26$, $p < 0.001$, 95% CI = (78,997.16, 94,256.96), and price precision predicted the absolute gap, $b = 2{,}103.39$, $t(1{,}789) = 2.05$, $p = 0.039$, 95% CI = (100.04, 4,106.75), indicating a partial mediation. Lastly, the indirect effect of the price precision on the absolute gap via the counteroffer's precision was significant in the buyer's market condition, $b = 4{,}494.18$, 95% CI = (3,244.58, 5,761.77), as well as in the seller's market condition, $b = 5{,}777.90$, 95% CI = (4,439.63, 7,228.87). The difference between the conditional indirect effects was not significant, 95% CI = (−490.82, 3,076.16), indicating no moderated mediation. Instead, the same underlying process explains the results in both markets. Namely, in both the buyer's and seller's markets, a more precise asking price led to a more precise counteroffer, which resulted in a counteroffer closer to the asking price. However, counteroffers closer to the asking price have different meaning in the different markets: They are desirable for sellers in a buyer's market but undesirable for sellers in a seller's market.

Discussion and Introduction to Study 2

As predicted, the results of Study 1 revealed that compared with round asking prices, precise asking prices elicit counteroffers that are closer to the asking price in both market settings. This means higher counteroffers in a buyer's market but lower counteroffers in a seller's market. Therefore, for sellers, precise asking prices are beneficial in a buyer's market, but round asking prices are beneficial in a seller's market. Exploratory analysis revealed that the effect seems to be driven by buyers' use of a more precise, fine-grained, scale when countering a precise, compared with a round, asking price.

In Study 2, we examine the price-precision effect in Amsterdam's real estate 2017 market, in which over 70% of the properties were sold above the asking price, a clear seller's market. Countering above the asking price was so common in 2017 that real estate agents in Amsterdam began referring to asking prices as "minimum prices" ("vanafprijs," see Wegwijs 2017), the prices from which overbidding begins. The data were provided by NVM (Nederlandse Vereniging van Makelaars en Taxateurs), the largest Dutch Association of real estate agents.

Procedure

The data provided by NVM contain 8,278 listings and cover all transactions completed in 2017 with the assistance of real estate agents affiliated with NVM. About 70% of the real estate transactions in Amsterdam were completed with the assistance of these real estate agents. First, we excluded three listings from the analysis due to a missing asking price, resulting in 8,275 listings. In the NVM data, a total of 71.05% ($n = 5{,}879$) of the properties were sold above the asking price, 10.51% ($n = 870$) were sold at the asking price, and the remaining 18.44% ($n = 1{,}526$) were sold below the asking price. The focal point of our analysis are listings sold above the asking price (for similar approaches focusing on listings sold below the asking price, see Janiszewski and Uy 2008 and Thomas et al. 2010). Of the listings sold above (below) the asking price, 97.18% (84.34%) ($n = 5{,}713$ and 1,287, respectively) had a six-digit asking price (between €100,000 and €999,999). For ease of interpretation of the regression coefficients, we restricted our analyses to those listings. Including all listings did not change the obtained results (see the SOM).

Analytical Approach

We coded asking price precision by counting the number of zeros at the end of the asking price. More zeros indicated rounder asking prices. Because we restricted our analysis to asking prices with six digits, we did not have to control for the total number of digits the asking price included.

To assess the price-precision effect on selling prices in our focal market—a seller's market—we analyzed the listings sold above the asking price. In Model 1, we predicted the selling price (log transformed, as customary, Thomas et al. 2010) from the number of zeros

at the end of the asking price. In Model 2, we further controlled for property characteristics likely to affect the selling price: (1) number of days the property was on the market, (2) construction period, (3) property size, (4) number of rooms, (5) type of property (e.g., apartment, house boat), (6) geographical location (district), and (7) real estate agency representing the seller (see Table S2 in the SOM for summary statistics). In Model 3, we further controlled for the (log-transformed) asking price. Following Thomas et al. (2010), we control for the asking price because (a) counteroffers (and thus selling prices) are affected by the asking price, and (b) higher prices tend to be rounder. Lastly, in Model 4, we included the listings sold below the asking price and assessed whether the price-precision effect emerges in the opposite direction for those listings.

Results

Price Precision

Precise asking prices were rather common in Amsterdam's 2017 real estate market. Specifically, of all listings sold above the asking price ($n = 5{,}713$), 10.99% ($n = 628$) were precise to the hundreds of thousands, 20.99% ($n = 1{,}199$) were precise to the tens of thousands, 63.00% ($n = 3{,}599$) were precise to the thousands, 4.41% ($n = 252$) were precise to the hundreds, and the remaining 0.6% (n = 35) were precise to the tens or ones.

Selling Prices

Hypothesis 2 predicts that for listings sold above the asking price, rounder asking prices lead to higher counteroffers and thus higher selling prices. Supporting Hypothesis 2, a regression analysis revealed that controlling for various relevant factors, for every additional zero at the end of the asking price, the selling price increases by 1.3% (see Model 2 in Table 2). When further controlling for the magnitude of the asking price, Model 3 reveals that over and above all other effects, every additional zero at the end of the asking price increases the selling price by 0.6%. Put differently, for Amsterdam's 2017 data, in which the average selling price for properties sold above the asking price was €349,906, a 0.6% increase translates to an average difference of €2,099.

Lastly, Model 4 predicts the (log-transformed) selling price from the same variables in Model 3 with the

Table 2. The Effect of Price Precision on Selling Prices in Amsterdam's 2017 Real Estate Market

	Model 1 ln(*selling price*)	Model 2 ln(*selling price*)	Model 3 ln(*selling price*)	Model 4 ln(*selling price*)
N zeros at the end of the asking price	0.070***	0.013***	0.006***	0.005***
	(0.006)	(0.003)	(0.001)	(0.001)
ln(*asking price*)			0.929***	0.945***
			(0.004)	(0.003)
Days on the market		–0.000***	–0.000***	–0.000***
		(0.000)	(0.000)	(0.001)
Construction year period		–0.009***	–0.003***	–0.002***
		(0.001)	(0.000)	(0.000)
Size of the property (m^2)		0.008***	0.000***	0.000*
		(0.000)	(0.000)	(0.000)
N of rooms		0.039***	0.006***	0.004***
		(0.003)	(0.001)	(0.001)
Sold below the asking price				–0.082***
				(0.007)
Sold below the asking price × N zeros at the end of the asking price				–0.006**
				(0.002)
Type of property (fixed effect)		Yes	Yes	Yes
District (fixed effect)		Yes	Yes	Yes
Real estate firm (fixed effect)		Yes	Yes	Yes
Intercept	12.5	12.48	0.90	0.69
R^2	0.018	0.824	0.983	0.986
N	5,713	5,705	5,705	6,989

Notes. Model 1 reports a regression analysis predicting the (log-transformed) selling price from the number of zeros at the end of the asking price. Model 2 further controls for number of days on the market, construction year period (higher values indicate later construction period), property size in square meters, number of rooms, and fixed effects for the type of property, district, and the seller's real estate agency. Model 3 further controls for the (log-transformed) asking price. Model 4 includes properties sold below the asking price, and the interaction term between this variable and the number of zeros at the end of the asking price. The smaller *N*s in Models 2 and 3 are due to missing values in some of the control variables. Regression coefficients are unstandardized, and standard errors are in parentheses. Coefficients that are larger/smaller than zero, but for which rounding turns into zero, are presented as 0.000/−0.000.

*$p < 0.05$; **$p < 0.01$; ***$p < 0.001$.

addition of listings sold below the asking price. We do so by adding a dummy variable for whether the listing was sold above (dummy = 0) or below (dummy = 1) the asking price, and the interaction between the number of zeros at the end of the asking price and the dummy variable. Results revealed the interaction term was significant and in the expected direction ($b = -0.006$, $p = 0.002$). For properties sold above the asking price, the rounder the asking price, the higher the selling price. This effect was reversed for properties sold below the asking price. Note the limited number of properties sold below the asking price (18% of the total sample) were from a more expensive market segment (M = €494,347, SD = 214,187; Mdn = €450,000) compared with those who sold above the asking price (M = €349,906, SD = 161,771; Mdn = €300,000), $b = 0.214$, $p < 0.001$. As such, Amsterdam's 2017 real estate market is not ideal for testing precision effects for properties sold below the asking price. Model 4's results thus should be interpreted with caution.

Discussion

Analyzing data from Amsterdam's 2017 real estate market provides supporting evidence for the benefit of setting rounder asking prices in a seller's market. For listings sold above the asking price, controlling for factors likely to affect the selling price, every additional zero at the end of the asking price increased the selling price by 0.6%. On average, in Amsterdam's 2017 real estate market, every additional zero at the end of the asking price increased the selling price by €2,099.

General Discussion

Results obtained here show the effect of precise (vs. round) asking prices on counteroffers and selling prices should be understood and used in context. Results of Study 1 showed that compared with round asking prices, precise prices lead to higher counteroffers in a buyer's market but to lower counteroffers in a seller's market. Analyzing Amsterdam's 2017 real estate market, where 70% of the properties sold above the asking price, provided additional support for the price-precision effect in a seller's market. Results of Study 2 revealed that setting an asking price that is rounder by one decimal point increases the selling price by 0.6%, equal to €2,099 on average. Overall, our findings bear straightforward practical implications: When aiming to sell for the highest price possible, sellers should consider the market they operate in before setting an asking price. Debating between two similar prices—a round versus a precise price—if sellers expect buyers to counter below the asking price, they should set a precise price. If, however, sellers expect buyers to counter above the asking price, they should set a round price.

Study 1 further suggests scale granularity drives the price-precision effect: precise prices elicit more precise counteroffers and in turn lead to less adjustment away from the asking price. This pattern is commonly interpreted as evidence for precise prices making buyers consider prices on a more fine-tuned scale (Janiszewski and Uy 2008, Loschelder et al. 2017). To more directly capture the scale granularity mechanism, recent work (Frech et al. 2019) asked participants to report the steps of adjustment they make when making a counteroffer. This work revealed that when the asking price was precise, participants indeed made smaller adjustment steps, compared with when the asking price was round, providing more direct evidence for the scale-granularity mechanism. One promising direction for future work is to assess the exact mental steps people take when making a counteroffer in a seller's market and to consider additional potential processes, such as the perception of the seller's competency (Mason et al. 2013, Loschelder et al. 2016) and flexibility (Lee et al. 2018).

The findings obtained here add to the growing literature identifying the limits and potential downsides of setting precise asking prices. Precise asking prices prolong negotiations (Yan and Pena-Marin 2017) and serve as a barrier to entry, because they make sellers appear inflexible (Backus et al. 2015, Lee et al. 2018). Further, extremely precise prices, such as €178,263.62, lead experts to counter with low prices, because the sellers who set such prices can appear incompetent (Loschelder et al. 2016). Here, we identified an additional setting in which precise asking prices are disadvantageous, that is, when buyers counter above the asking price. Clearly, this growing line of work highlights the importance of considering the context in which an asking price is set and can help inform those who are setting asking prices about the pricing strategies likely to prove profitable. Studying precision effects in various contexts, within and outside the real estate market, employing different price ranges presents a promising avenue for future work.

Conclusion

In negotiations, precise asking prices serve as stronger anchors than round ones, affecting both counteroffers and final agreements. Not surprisingly, sellers are often advised to set precise, rather than round asking prices. Doing so allows them to receive offers close to their asking price, which is often desirable. Our results suggest the advice is useful when buyers counter below the seller's asking price, but suboptimal when buyers counter above the asking price. In such settings, precise prices lead to *lower* counteroffers and selling prices than do round asking prices. Thus, precision should be understood and used in context.

When buyers typically counter below the asking price, sellers should set precise prices. When buyers typically counter above the asking price, they should set round prices.

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Endnote

[1] The preregistration plan is available via https://osf.io/wv52a/?view_only=ca01a81527ea48b6a233742f811cc0de, which guides readers to the specific plan on https://osf.io/yr48v/?show=revision. The preregistration file is called "Final_price precision and type of market OSF.docx.pdf." The file describes a preregistration plan for two studies: (1) "Study 1: real-estate agents survey" (pp. 1–3 and 5–7 of the pre-registration), which appears in the SOM, and (2) "Study 2: counteroffers in sellers' versus buyers' market as a function of price precision" (pp. 3–4 and 8–22). This study is named "Study 1" in the current manuscript. See the SOM ("additional studies and preregistration") for additional details.

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