A Guide to Pricing Your Home In Today's Market

Pricing is probably the most critical task you will face when selling your home. Sellers naturally want to get the best price and the best terms for their home for the time that it is on the market. However, determining your home's worth isn't always a straight forward process as there are pitfalls. If you price your house too high, you may not receive any offers. and your house may languish on the market for weeks, losing its "marketability". If you price it too low, you may end up losing money.

Ultimately, the best price for your home is the amount that a buyer is willing to pay at the time you're selling. An experienced, trained Realtor® will be able to help you gauge your home's value.

While several factors influence the pricing of a home, the most common and reliable method is the comparative market approach. Get a Comparative Market Analysis (CMA). This is a report that provides a suggested sales price based on the prevailing market. Your Realtor® can provide a CMA, usually for free. It is not an appraisal. In a CMA, your Realtor® examines recent sales in your neighborhood of properties matching your house's age, square footage and features.

Active listings (other homes for sale) are scrutinized as these listings are your competition. An examination should also be made of withdrawn and expired listings. Very often these listings didn't sell because of pricing issues and you can profit from these lessons. Based on this accumulated data, your Realtor will arrive at what he believes is a fair and reasonable price.

CONSIDERATIONS WHEN PRICING YOUR HOME

Location – If the home is located in a noisy, busy neighborhood it may not be attractive and, therefore, will command a lower price. Is it in a desirable location? Is the property close to transportation and other amenities such as schools, shopping centers, post offices, etc?

Needs of the seller. Is there pressure to sell quickly? Is the sale contingent on another sale?

Season – Statistically, more homes are put on the market in the Spring and Summer creating more competition.

Tenure – Is the property leasehold or fee simple? Generally, leasehold properties sell for less than fee simple properties.

Condition of the home – Does the house have "curb appeal"? Is it new? Does it look fresh or run down? Does it have attractive features?

Other factors – These include the prevailing interest rates, the economy, the crime rate, employment and timing.

Remember, when pricing your home, you must be emotionally detached. The market doesn't care how much you originally paid for your house. Nor does it care about the time and cost that you put into improving it. In slow markets especially, you must be prepared to price your property in keeping with the market forces.

There is a danger in overpricing your home with the intent to establish a “strong” negotiating position. Qualifying buyers who would otherwise consider your property will disqualify it automatically based on its unreasonably high price.

WHAT YOU CAN DO

Work closely with your Realtor®. Ask questions. Consider his/her advice. This person is a trained professional. Your Realtor’s® knowledge of the market along with his/her negotiation skills, experience and “street smarts” will serve you well.

Make your house more attractive. This doesn’t mean you have to launch major improvements. Look at your house through the eyes of a prospective buyer: Does the lawn need to be mowed? Should clutter be removed? Would the front door benefit from a little paint?

Go on a field trip. Visit open houses in your neighborhood to get a feel for the market. Compare your home to these offerings.

Research. Scan the real estate section of the Sunday newspaper for any new houses for sale in your area.

TERMINOLOGY

The specialized language of real estate can often be confusing and mysterious. Here are some common terms that you’ll encounter:

Days on Market (DOM): The number of days that a property has been listed. A high DOM usually signals an unrealistic sales price. In such cases, the seller may eventually relent and allow an adjustment to the sales price but the “newness” of the property will be gone which makes it less marketable.

Inventory: The amount of homes offered for sale on the Multiple Listing Service (MLS). A small inventory indicates a high demand and, therefore, higher prices. A large inventory occurs when the market slows and there are fewer sales. In these situations, prices fall in an effort to move the inventory.

Seller’s Market: A real estate market characterized by small inventories and short DOM. Multiple offers on properties, even those exceeding the asking price, are common. In such a market, sales prices rise as competition for fewer houses becomes more intense.

Buyer’s Market: Occurs when sales slow and inventory accumulates. DOM are typically long. In such a market, sales prices fall giving buyers greater opportunities.

Balanced Market: This is usually a transitional phase between a Seller’s and Buyer’s Market when neither side has an advantage.

Median Sales Price: The midpoint between the most expensive house and least expensive house sold in an area during a specific time. The Median Sales Price is often regarded as an indicator of the strength and direction of the real estate market.

Price Discount. This is the difference, usually expressed as a percentage, between the initial asking price for a home and the final sales price. The average price discount of sales in a market is often examined. A small average indicates a seller’s market. Conversely, a large average signals a buyer’s market.