

“Pricing Your Home to Sell” User Guide

Introduction

The purpose of this video is to address the key questions and issues that face sellers when selecting a real estate agent and pricing their home. The real estate agent who provided this video wants to help you achieve the highest sale price yet avoid overpricing that will prevent or delay a sale.

Often, sellers make the mistake of establishing their asking price first, then selecting an agent who agrees to it. Selecting your real estate agent and establishing your price are two separate, unrelated decisions. Ideally you should select your agent first, then together determine an asking price.

“Another agent will list it at a higher price.”

If you establish your price first, then you may be tempted to select an agent who agrees to this price rather than one who will do the best job of marketing and selling your home.

An agent who gains your listing with a high price now, will simply require successive price reductions later.

How will I make my listing decision?

Competence of the real estate agent

Agreement with my price

“How do I select a real estate agent?”

You should select a real estate agent based upon his or her ability to sell your home for the most amount of money in the least amount of time with the least inconvenience. There are seven major steps in the sale of real estate that occur before you receive your net equity check. Understanding these steps will help you evaluate your agent’s ability to complete this process.

1. Manage the marketing of your home

When your home was built, there was a general contractor who managed the process from foundation through framing, plumbing, electric and final finishing. When selling your home, you need an agent with the ability to manage to the process from placement of the For Sale sign all the way through to the final equity payment.

2. Exposure to real estate agents

In many markets, your home may be sold through the cooperation of agents in the listing company as well as other companies. A competent listing agent will facilitate this process.

3. Exposure to public

The most visible marketing is done directly to the public. Your agent will describe the process of signage, flyers, target marketing, marketing pieces, advertising, internet exposure, etc.

4. Secure and convert prospect leads

Generating interest from prospects is one thing, responding and converting that interest to a showing is another. Your agent will describe the process of responding to inquiries and securing appointments.

5. Demonstrate the home

Demonstrating the home includes the skills of preparing the home to sell, improving showing condition, allowing access to the property, providing property information to buyers and communicating during the listing period so you can make adjustments.

6. Secure an agreement to purchase

When buyers are interested in purchasing your home, your agent must attain a signed agreement to purchase and negotiate the final terms.

7. Close the transaction

Once your home is sold, there are still more steps to complete before you receive your equity. The buyers will need to arrange financing and/or transfer of cash. There may be inspections, appraisals and other documentation required to complete the transaction.

Regardless of the market, the agent most competent in these areas will help you get the highest price.

How do I establish the asking price?

Buyers determine value by comparing your home to others available. The internet and mobile technology allow them to do this instantly. When you choose your price, you choose your competition. So you and your agent must research the properties that are competing against yours.

How is Market Value determined?

Market value is the price at which a willing seller and a willing buyer will agree to complete a purchase within a reasonable amount of time.

It can be determined by examining three categories: homes that are for sale, those that have sold and those that have expired. Learn the range of prices in each of these three areas.

	Low	High	Average
Expired	\$	\$	\$
For Sale	\$	\$	\$
Sold	\$	\$	\$

Market Data

To position your home properly in the market, you need market data. It needs to be current, accurate and local, and your best source for it is your real estate professional.

The factors that affect your pricing decision are:

1. Absorption rate

This is a measurement of the time it will take for the present inventory of homes to be purchased (absorbed) given the current rate of sales and new listings. It is expressed in months of inventory.

If, for example, there are 6,000 homes on the market and the net inventory reduction per month is 1,000, the absorption rate is six months.

In general, less than three months is a seller's market, four to five months is balanced and six months or more is a buyer's market. This varies by market so consult your real estate professional.

2. Market direction

Markets can rise, fall or remain stable. In a rising market, more aggressive pricing ahead of current sold prices may be appropriate. In a stable market, homes must be priced at market value. In a falling market, you need to price ahead of it.

3. Price per square foot

Another valid comparison standard is the average price per square foot of competing homes. The other properties need to be comparable for this to be accurate.

4. Average days on market

This is an indication of how long your home may take to sell.

Presentation of data

Your real estate agent will present this data in either a printed or online report. It is often called a Competitive Market Analysis or Comparable Market Analysis (CMA).

	Location	Size	Bedrooms	Bathrooms	Amenities	List price	Sale price
Subject							
Comp 1							
Comp 2							
Comp 3							
Comp 4							

“We received an online estimate higher than that.”

Online estimates of value are the “horoscope” of market valuation. They may establish a very wide range of value, but are not sufficient for establishing an exact asking price.

“We've had a fee appraisal higher than that.”

Previous appraisal:

Value: \$ _____

Date: ____/____/____

Purpose:

- Insurance
- Refinance
- Estate settlement
- Market value sale
- Mortgage
- Tax assessment
- Other

“Our home is better than the others.”

In comparing your home to another, it must be better in these areas:

	How is it better?	Value
Location		\$
Size		\$
Amenities		\$

“What about the value of our improvements?”

Itemize the improvements made to your home since your purchased it.

Date	Amount	Improvement	Purpose (Repair, Maintenance, Improvement)
	\$		
	\$		
	\$		
	\$		
	\$		
	\$		

“We paid more than that for it.”

When the value of your home is less than your original purchase price, you’re left with a tough choice of whether to sell at a loss, or stay in the home.

	Consequences	Benefits
SELL		
STAY		

Principles of evaluation

Cost

What you paid, plus capital improvements.

Price

The amount you ask, when putting it up for sale.

Value

What it might be worth to one unique buyer, given the time to wait.

Market Value

What your home is worth to willing buyers to cause a sale within a reasonable period of time.

“Buyers can always make an offer. ”

Your asking price invites buyers in only that price range. A higher asking price attracts buyers with higher budgets and higher expectations. If your home doesn't match their expectations, they will seek other homes instead of making an offer. The buyers who can afford your home if priced at market value won't see it and the higher priced buyers won't want it.

“We can always come down.”

Pricing above the market will require successive price reductions to regain the attention of buyers. This takes time and casts doubt on the value of your home. Buyers may sense desperation and offer below market value, if at all.

“Couldn't we just try for a couple of weeks?”

This highest activity on a new listing occurs in the early period of marketing. This is the time to appeal to that early enthusiasm and generate offers. Overpricing will eliminate this pool of motivated buyers.

Furthermore, if online activity doesn't produce showings, it is an indication of overpricing.

Benefits of proper pricing

Here are the benefits of pricing your home correctly:

Faster sale

You and your family can satisfy the objectives that originally caused this move. You can finalize your plans, move together as a family and have peace of mind.

Less Inconvenience

The sooner it sells, the fewer cleanings, showings and interruptions of your schedule.

More prospects

At market value, more of the right buyers can see and afford it.

Agent enthusiasm

The first sale you make is to other real estate agents. When they see a properly priced home, they get excited and want to show it to their customers.

Higher offers

The closer you price your home to the market, the higher offers you get. It's also the most likely way to create a multiple offer situation.

Higher net equity

The closer you price to the market, the sooner it sells and the higher net equity you actually gain from your home, both from the actual price and from not having to pay for and maintain your property every month.

Your real estate agent can answer questions that relate to your specific market.