

Setting your home's price

By Lisa Parry
January 2009

Making a mistake in setting your home's price can cost you hundreds or thousands of dollars. If you set the price too low, your home will sell quickly, but you will not realize the full value of your asset. If you set the price too high, your home may languish on the market for a long time. Setting your home's price at a fair value should be done in consultation with your agent, who can provide relevant data and insight.

Your agent should perform a CMA (Comparative Market Analysis), which you should use as a guide. The CMA will let you know about the home sales in your area - the listing and sales prices, how long they took to sell, and the features of the homes. Your agent will also give you insight as to how your home might fare against the current competition.

Remember that your agent will make a suggestion as to your home's price, and that a buyer will ultimately determine your home's price in the form of an offer. The final decision on setting your home's price is UP TO YOU!

The following are issues you should consider:

1. Understand the Market. You should know how long it has taken to sell similar homes in the recent weeks or months. Your agent will help you find this data. By understanding the market, you can help eliminate distressed selling. If your home takes longer to sell than anticipated, you might find yourself selling at a reduced price just to get the home sold.

2. Minimize Emotions. You should understand that selling your home can be very emotional. You may have spent a lot of time, effort and money getting your home into its current condition. You must realize that your expenditures may not bring the value that you hoped. Setting your home's price should be a business decision that is dominated by logic and reason. If you receive an offer, do not let a few dollars blow a potential sale.

3. Maximize Home Viewing. A primary objective in marketing your home is to maximize your home's exposure to potential buyers. Your agent's marketing plan should target this goal. As the seller, you should make your home accessible to buyers and their agents on THEIR schedule. Use a lockbox so your home can be viewed when you are not home. If possible, let agents show your property on short notice. Make sure that your pets are put away.

4. Clean-up and Clear-out. When buyers view your home, it is important that they are able to picture their family living in the house. In order for them to feel at home, it is important that your home is very clean. You should minimize clutter, remove personal

effects, put away all but a few family pictures, and keep the rooms warm and inviting. Remember that buyers will inspect your home and look for reasons to eliminate it. You will maximize the appearance of space by minimizing what is in it.

5. Best First Impression. Be sure the front of your home is as attractive as possible, so potential buyers have a great first impression. The impact of the curb-appeal of your home should not be underestimated. You should be sure your lawn stays mowed, the weeds are removed, toys are picked up, and walkways are clean. Flowers provide a great way to enhance the front of any home.

6. Improvements. You may find that spending a little money will be a great investment in selling your home. If you have worn, smelly or soiled carpet, replacing the carpet can be a great way to eliminate a buyer's concern. Have your agent give you objective feedback as to what improvements might benefit your home sale.

7. Choose the right agent. While it may be easy to choose your neighbor, friend or acquaintance as your agent, this choice might not be in your best interest. Interview several agents so that you understand the different approaches they might take in selling your home. Look for an agent with an aggressive marketing plan and who has a firm understanding of the local market.

8. Inspect prior to listing. One great way to maximize your homes' sale price is to address potential concerns prior to the home being listed. You may spend a few hundred dollars having your home inspected, but knowing what issues might arise prior to a buyer's inspection can help you make informed decisions. For example, you might find problems that can easily be remedied - before a buyer's involvement.

9. Trust your Agent. Your agent will provide you with valuable and pertinent advice. Listen to the advice and act upon it. There are many issues to consider when selling your home, so try listening to the advice of a professional.

Before you make decisions regarding your home sale, try to become as informed as possible. Select an agent who will work hard for you and listen to their advice. Your agent will be handling many details associate with your home sale. Remember the five factors that determine whether your home will sell:

Location, Financing, Marketing, Price and Condition.

Location and Financing are given and beyond your control. Marketing is up to your agent. The market determines Price. Condition is the factor over which you have direct control.

The only two people who determine your home's value are the buyer and the appraiser. Everyone else's input are opinions. So, if you have run a CMA, how do you determine what price to set for your home? There are a variety of methods that are used by REALTORS.

The first is to look at the CMA and determine an average price per square foot from the comparable properties. Multiplying this value by the number of square feet in your home is one way to arrive at a value.

The second is to look at the active properties for sale. You may find that the price you are considering will be the lowest price on the active market. Or you may find that your price is the highest in the active market. You should know how your home compares to these other properties in terms of amenities, location, etc. When determining your active market, you may need to be creative. Should you compare 3 bedroom/2 bath homes to 4 bedroom/3 bath homes? If your home is 2500 square feet of living space, should you compare it to a home with only 1400 square feet?

The third way is to use an appraiser. They will determine a value for your home that you can use to set your price. It may cost a few hundred dollars to get this information, but there is value. Knowing what price a lending institution might place on your house allows you to set a price that can allow financing to be obtained.

The fourth way is to look at properties that are pending sale. These are homes that have been purchased very recently. While you may not know the final sales price, you will know that the buyer and seller have reached agreement on a price. These prices reflect the most current market conditions. Homes that are actively for sale might be over priced. They might not represent good information to use in setting your home's price since they might not sell. It may help to know that the ratio of listing price to sales price is about 98%. In other words, homes are generally priced correctly since they sell for close to asking price.

Conclusion

So, you have a decision to make about your home's price. Remember that the price is up to you and not your real estate agent. If you need help in setting your home's price, please give me a call. I provide a comprehensive marketing program that targets buyers in the manner in which they find homes. I would love the opportunity to help you.