Understanding the Home Pricing Process

Montana Good Life Properties
www.montanagoodlife.com

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The Home Pricing Process -- Deconstructed

See the home **on the cover** of this guide?

Using proper pricing and marketing techniques, this home listed with us received multiple offers and was under contract in less than 24 hours after it went live on the MLS.

Realtors, lenders and other real estate experts love throwing around jargon as much as the rest of us. Here's the lowdown on what some of those crazy terms mean (like rate of consumption for instance) and some of the things a good Realtor looks at when determining the value of a home and how to market it.

We want to help you sell your home at the best price. Knowledge is power. On the following pages are **5 steps** to equip you with the tools to be a savvy seller.

Step 1: Know Your Competition

Your home is worth what comparable homes in your area have sold for in the past 30 to 60 days, not homes that are currently listed on the market.

You'll need to know how many homes in your price range are on the market. If there are several homes in your neighborhood waiting to sell, price your home aggressively to get buyers to choose yours.

If there are fewer homes in your neighborhood for sale, shoot for a price that's just at or above your desired listing price.

Step 2: Find the Rate of Consumption

It **doesn't** need to be a **guessing game.**

In the real estate industry, the number of homes sold in a neighborhood per month is called the “absorption rate” or **“rate of consumption.”**

With this number, you’ll get a clear picture of the time it will likely take to sell the home. It’s not a guessing game — it’s a business calculation.

Number of homes for sale

+

Number of homes sold per month (in that price range)

=

Time it takes to sell the home

For example, let’s say your home is worth $400K, and **two** homes per month have sold in that price range. There are **four** homes currently on the market in that price range. You now know it will take **two months** using the formula.

Look at competition and consumption.

Consider your price bracket: Listing websites have price filters in increments of $10K, $50K and $100K — depending on the price range. If you’re close to one of these thresholds, you should consider dropping down the listing price so that you reach a wider audience. This might sound a little unconventional — but in today’s market, you must price your home so that you’ll get a fair value for it, but also price it so that it will sell.

Step 3: Determine the Home's Condition

77% of buyers agents say that staging makes it easier for buyers to "visualize" the property as their future home.

It's important to compare the condition of your home with other homes on the market and to those that have sold. Drop any emotional attachments to its value or a certain dollar figure.

Be realistic.

Look at the condition of the landscaping. Compare the exterior paint and updates. Review the condition of the carpet, flooring, appliances, roof and interior paint with homes that have sold. The best way?

Evaluate your home the way a picky buyer would, and have honest expectations. You don't want to be the highest bidder on your own house!

Step 4: What Is My Home Worth?

Buyers know that homes must be priced with actual recent sale prices, not simply on listing prices. You must take comparable sales into consideration when you decide on an asking price.

If you think someone might fall in love with your home and offer you more than it's worth, think again.

Buyers use popular online real estate listing sites such as Zillow, Yahoo, MLSs, realtor.com, Movoto and Trulia. The list goes on and on. They are armed with data and educated.

Houses priced at what they're worth based on comparable listing data sell more quickly — and for an amount closer to asking price — than homes that debut with an inflated price tag.

Step 5: Make Some Adjustments

Finally, let's look at some of the factors that help tweak or refine your asking price to ensure you're pricing your home competitively and taking into consideration nuances of your individual home and situation.

- **Consider your price bracket**: Listing websites have price filters in increments of $10,000, $50,000 and $100,000 — depending on the price range. If you're close to one of these thresholds, it might be a good idea to drop down the listing price so that you reach a wider audience. This might sound a little unconventional — actually, it probably sounds highly unconventional. But this is what you have to do if you're going to compete in today's market. Price your home so that you'll get a fair value for it, but also price it so that it will sell.

- **Identify carrying costs:** Can't decide between a lower or higher price? Understanding your monthly outflow will help you make an informed, logical decision about your listing price. Add up these monthly expenses :

Mortgage

Association Fees

Utilities

Taxes

Maintenance (mowing service, cleaning company, and repairs)

The Final Step: Understand Local Factors

> *“Oh, I’ll never leave Montana, brother.”*
>
> - Paul Maclean, “*A River Runs Through It*” (1992 Film)

Understanding local economic and social factors will help you predict what type of buyer will end up calling your place home when the ink dries.

- Has a big company recently moved into or out of the area?
- Are your competitive homes for sale mostly newer or older than yours?
- What is the performance of local schools?

Last but not least: Don't let your home go stale on the market

Remember that the context surrounding your asking price has to do with you as well — not just the market.

Are you being transferred for work or do you need to sell for other reasons? If you're in a hurry to sell for personal reasons, pricing your home even a few hundred dollars lower than competitive homes can put you at the front of the pack.

Are you looking to buy a new home as you sell your old one? Maybe the neighborhood that you're moving to has lower real estate prices than your current neighborhood.

Overpricing your home will **cost you** both time and money. If your house is overpriced, all you're doing is providing market data that helps your neighbors sell their homes at a fair price.

Even if your home is beautiful and desirable, buyers won't even come by to look if the price is unreasonably high. They'll wait for the reduction you will inevitably make so that you can get it sold.

You'll end up with what we in the industry refer to as a "stale" home. Your home is anything but stale, so don't price it that way.

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Visit our website and click on SELLING to access our Good Home Analysis questionnaire.

Be sure to request our 2019 Sellers Guide for in-depth knowledge and tips on selling your home for the most value.

Page Huyette
REALTOR®| Broker
page@montanagoodlife.com
406-551-4603