

Pricing Your Home Correctly When Listing is the Most Crucial Step to a Successful Sale

The single most crucial factor to consider when selling a house is pricing the house correctly; pricing the house to sell. You don't want to overprice the house because you will lose the newness of the home's appeal after the first two to three weeks of showings. After 21 days, demand and interest wane.

Pricing is all about supply and demand. It's part art and part science, and no two REALTORS price property the same way. Some agents are much better at figuring out how to price your home than others. Experience matters.

Below is how a good REALTOR will help you determine a listing price:



Find Comparable Listings and Sales

- 1) Look at every comparable home that was or is listed in the same neighborhood over the past 10 months.
- 2) The list should be of homes that are in locations an appraiser will use. For instance an appraiser would not use a comparable property in Fonda for a property in Storm Lake.

This is where experience comes in.

- 3) Compare similar square footage, within a 25% variance of up or down from the subject property, if possible.
- 4) Compare like style - single story with single story, not 2 story with single story.

Compare apples to apples.

Sold Comps

- 5) Pull history for expired and withdrawn listings to determine whether any were taken off the market and re-listed. If so, add those days on market to these listing time periods to arrive at an actual number of days on market.
- 6) Compare original list price to final sales price to determine price reductions.
- 7) Compare final sales price to actual sold price to determine ratios. It is common in a seller's market for homes to sell for more than 100% of list price. Generally homes sell for list price or less in a buyer's market.
- 8) Adjust pricing for lot size variances, configuration and amenities / upgrades and for seller concessions like seller paid closing costs, home warranty, new appliances.

Withdrawn & Expired Listings

- 9) Look for patterns as to why these homes did not sell and the common factors they share.
- 10) Which brokerage had the listing: a company that ordinarily sells everything it lists or one that has a lot of expired listings, one that might not have spent money on marketing the home?
- 11) Think about the steps you can take to prevent your home from becoming an expired listing.

Pending Sales

- 12) Since these are pending sales, the sales prices are unknown until the transactions close; but that doesn't stop anybody from calling the listing agents and asking them to tell you. Some will. Some won't.
- 13) Make note of the days on market, which may have a direct bearing on how long it will take before you see an offer.

14) Examine the history of these listings to determine price reductions.

Active Listings

- 15) These listings matter only as they compare to your listing, but bear in mind that sellers can ask whatever they want.
- 16) To see what buyers will see, tour these homes. Make note of what you like and dislike, the general feeling you get upon entering these homes. If possible, recreate those feelings of reception in your own home.
- 17) These homes are your competition. Ask yourself why a buyer would prefer your home over any of these and adjust your price accordingly.

Square Foot Cost Comparisons

- 18) Remember that after you receive an offer, the buyer's lender will order an appraisal, so you will want to compare homes of similar square footage.
- 19) Appraisers don't like to deviate more 25% and prefer to stay within 10% of net square footage computations. If your home is 2000 sq. ft., comparable homes are those sized 1800 to 2200 sq. ft.
- 20) Average square foot cost does not mean you can multiple your square footage by that number unless your home is average sized. This is specific to your area, a good experienced Realtor knows how to make these adjustments.

Market Dependent Pricing

- 21) Same house, three different prices. After you have collected all your data, the next step is to analyze the data based on market conditions. For comparison purposes, let's say the last three comparable sales in your neighborhood were \$170,000. In a buyer's market, your sales price might allow some wiggle room for negotiation but be strong enough (near the last comparable sale) to entice a buyer to tour your home. To sell in this market, you might need to price your home at \$169,900, settling for \$165,000.
- 22) In a seller's market, you might want to add 6-10% more to the last comparable sale. When there is little inventory and many buyers, you can ask more than the last comparable sale and likely get it. So that \$170,000 home might sell at \$185,000 or more.
- 23) In a balanced or neutral market, you may want to initially set your price at the last comparable sale and then adjust for the market trend. For example, if the last sale closed three - six months ago, but the median price has edged upwards of 1% per month, pricing at \$174,500 would make sense.

A lot of work, but pricing a property correctly is very important to ensuring it sells. Your best bet is to hire an experienced proven REALTOR. If this sounds like a lot of work, it is call me I do this every day and have competently priced properties for the last 12 years. Georgia Weaver 712-291-0118

