

Pricing Your Home

Basics of Pricing

Values are determined by the market price per square foot of nearby homes of similar size, condition, and amenities. The higher the square footage of a house, the lower the price per square foot.

The more similar the homes are, the more consistent the values are. Values in neighborhoods of older homes will be more variable because some homes will be updated, and others not.

The values of the most expensive homes in a neighborhood will tend to be decreased by surrounding homes.

The values of the smallest, least expensive homes in a neighborhood will tend to be increased by surrounding homes.

New homes generally do not appreciate for the first several years.

Premium Lots - When a lot is oversized or has special amenities, the home is worth more. To price a home with a premium lot, first determine what it would be worth if the lot were a standard lot based on price per sq ft. Then add the difference in lot value.

Garage Conversions - Converting a garage to living space generally does not increase the value of the home. To price a home with a garage conversion, first deduct the square footage of the converted space, then multiply the remaining square footage by the appropriate price per square foot for homes of similar size and condition in the area. The loss of value of not having a garage and the added value of the additional living space is a wash.

Swimming Pools - A pool that costs \$30,000 to \$45,000 to put in makes the average house worth \$10,000 to \$15,000 more. If you want a pool, buy a house that has one. Don't add a pool unless you plan to be in the house long enough to get your enjoyment out of it, because you're not getting your money out of it when you sell. When you're pricing your home, calculate a maximum of \$15,000 added home value for the pool, **not** what it cost you to put it in.

Avoid non-relevant factors - Don't base pricing decisions on what you want or need or what the home cost you. Buyers don't care how much you paid, or what the remodel cost you, or how much of a down payment you need for your new home. Value is determined by the market.

Even number pricing vs. "999" - All property search engines, [Realtor.com](https://www.realtor.com) being the most popular, have pricing brackets for the prospective buyer to choose as a search parameter. When a property is on the exact bracket number, it will appear in both searches. For example, if a house is priced at \$349,900, it will ONLY appear in search results with the maximum set to \$350,000. If the house is priced at \$350,000, it will still appear in searches up to \$350,000, but it will ALSO appear in searches of \$350,000 and above. An added advantage is that the house will be the first house appearing in searches of \$350,000 and above.

Because of search results, we recommend pricing a property on the common search brackets of Realtor.com whenever the value is close to a search bracket. Besides, anybody interested in the house at \$349,900 is going to be just as interested at \$350,000. Leave the "99" pricing to Wal-Mart.

12 Realities of Pricing

1. If there are fewer than a normal number of showings, and no offers, the property is over-priced. If there are a lot of showings and no offers, it means the same thing. **There are no exceptions** (assuming there are good pictures online and no showing obstacles).
2. The lower the listing price, the more showings and offers there will be.
3. A property will sell for full list price if it is worth full list price.
4. You don't need "negotiating room" if you are priced right.
5. No matter what the listing price is, agents will almost always first offer something less. This DOES NOT mean the buyer won't pay full list price.
6. A property priced above what it's worth will still only sell for what it's worth, but it will take longer.
7. Offering buyer incentives, such as offering to pay buyers closing costs, carpet allowance, repair allowances, etc., will not increase showings as much as a price reduction for the amount of the incentives. Reason: The buyer normally doesn't see the incentives until after he selects the property for a showing, and that initial selection is based on the list price.

8. You are more likely to get the full list price in the first 2 weeks of a listing, than the same price, after it is reduced to that price, after 1-2 months. Reason: When it's a new listing, buyers feel more pressure to offer full price due to fear that another buyer will snatch it up first.
9. Even if a buyer agrees to pay the full list price of an overpriced property, the sale won't go through after the buyer gets the appraisal. There is a provision in the standard contract form that allows a buyer to cancel if the appraisal is lower than the contract price. In such cases, the seller normally reduces his price to the appraisal amount.
10. When a listing is 3-4 months old and hasn't had a price reduction, it usually means (to agents) that the seller is not serious, or there is something wrong with the house. Many agents consider such listings a waste of time and won't bother showing them.
11. It makes no sense to consider an offer more than 5% less than your listing price. You are smarter to reduce your price by 3-5% because you may get a full price offer at the new price. If the price you really want and expect to get is 10% less than your list price, you are making a pricing mistake. You should reduce your price to no more than 5% of what you want, or preferably just ask for what you really want.
12. It makes no sense to offer a bonus or a commission above 3% for the buyer's agent. The buyer decides which house he is going to buy, not the agent. And most of the time the buyer is selecting which houses he will go see in the first place. The commission amount does not enter into the decision. However, offering less than a 3% commission may cause the agent to tell his client the house is not available.

Suggestion: Price your home for what it's worth, and don't negotiate price with agents. You still have 3% negotiating room if you get a buyer without an agent.

Resale Values of New Homes vs. Existing Homes

New Home buyers are paying a premium for having everything new. If you try to sell a new home a month after you move in, you shouldn't expect to get what you paid for it. The same way a new car depreciates the moment you drive it out of the showroom, a new home loses value the moment you buy it. If you are competing against the builder who is still building the exact same home in your neighborhood, you need to be priced 5%-10% below the builder's price to be competitive. Buyers are willing to pay 5% to 10% more for a home that was never lived in, and where they can choose their favorite colors, finishes and upgrades. (This 5%-10% rule applies 99% of the time, but most sellers do not agree and tend to overprice their homes.)

To get a professional opinion, you have 3 choices:

Hire a professional appraiser

A professional appraisal will give the most reliable estimate of value. The cost can vary, but a typical appraisal is usually \$300-\$350. Considering the importance of the pricing decision and the impact of a potentially wrong decision, it's not a bad investment. If you are convinced your property will appraise high, the appraisal can be used as a sales tool.

Call some Realtors for CMAs

You can call a number of real estate agents, who will all eagerly do a CMA (Comparable Sales Analysis) for free, in the hope that you will list your home with them. The problem is that agents often have their own agendas. One will under-price your home in the hope of a quick and easy commission. Another will overprice it to tell you what you want to hear just to get the listing - fully expecting you will lower the price later. The other problem is that you have to deal with these agents and spend a lot of time listening to their sales pitches (not always fun).

Have us do a CMA for you

This is included with any of our listing packages, and we don't slant the data to serve any agenda. It is not always critical to see the house to get a reliable estimate of value. Agents will tell you it's essential because it's a good excuse to get in your house and give you a sales pitch in person. The more similar the homes in your neighborhood are, the more reliable a CMA will be. Prices will be more variable in older neighborhoods, where some homes have been completely redone and others are still original vintage.

Other things you can do

Check the houses in your neighborhood. These are your competition, and potential buyers for your house will probably be looking at those, too. Check out the houses with the "For Sale" signs in your neighborhood, and drive around your neighborhood on weekends to see if there are any "open houses".

Do some online searches on MLS websites, such as Realtor.com. Buyers typically search by price range and zip, and scroll through the listings for the biggest & nicest houses in their price range. A good rule of thumb is that homes will sell for about 5% less than the online list price.

If there are new homes being built in your neighborhood, check what those new homes are selling for and what incentives the builders are offering. You can count on the fact that you will not sell your home for more than what a comparable new one is going for in your area. In fact, you need to be at least 5% under their prices. Buyers tend to lean towards buying new houses because they can pick the options they want, and builders always provide a good warranty* and some sort of incentives that buyers find hard to resist. Even if you are priced 5% under the builder, don't be surprised if one of your

buyers is lost to a builder who matched your price to clinch the deal. *We also offer a Home Warranty package. See [Home Warranty](#) Package on our [Resources Page](#).

Common Pricing Questions

Why am I not getting many showings?

Because your price is too high. (Assuming you have good photos and easy access for showings.)

Why am I not getting any offers?

Because your price is too high.

But the house down the street sold for "XXXX"

It doesn't matter. The buyers still think your price is too high. If you did a complete analysis of all the factors involved, that would still be the ultimate conclusion. Otherwise, you would have more showings and offers.

But we have more upgrades than another house that sold for more.

It doesn't matter. The buyers still think your price is too high. If you did a complete analysis of all the factors involved, that would still be the ultimate conclusion. Otherwise, you would have more showings and offers.

But . . .(etc.)

It doesn't matter. The buyers still think your price is too high. If you did a complete analysis of all the factors involved, that would still be the ultimate conclusion. Otherwise, you would have more showings and offers.

Should I add an agent bonus, or say we will pay the buyer's closing costs, or say we'll give a carpet allowance?

No! Just lower the price.

Why are we getting lots of showings, but no offers?

There is something about your house that buyers don't like that they don't know until they see it. (Typical issues: Bad floor plan; bad pet or smoke odors; need for significant renovation or improvements; poorly done remodeling jobs; lack of privacy.)

Why are we getting lots of scheduled showings, but then they don't bother to come in and look at the house?

There is something about your house that buyers don't like, that can be seen from the outside, which they don't know about before they scheduled the showing. (Typical issues: busy street; big power lines; backing up to something undesirable such as retail or a freeway.)

Online Property Valuations

[Yahoo Real Estate](#) gives you 3 estimates.

Zillow explains it's limitations at <http://www.zillow.com/howto/Zestimate.htm>.

[Cyberhomes.com](#) usually comes out grossly overvalued.