

About Pricing your home

By David Houck - Atomic Realty

So you are thinking about selling your home here are some things to consider.

USE THE DATA: How much did other comparable or similar homes SELL for, after making price adjustments. A broker will usually supply a range of values they believe your home will sell for. Usually, it starts with comparing homes of similar size that have sold within 6-12 months. Smaller homes generally sell for more money per square foot than larger homes. This is because they have the same infrastructure costs as a large home. Surprisingly in such a data driven population many clients in our market ignore the data saying things like “my friend says this house will easily sell for \$50,000 over what the data indicates”. Maybe that is true but there is no evidence of that, other than the well-meaning friend’s biased opinion. Please don’t make the mistake of ignoring the data.

EXTERNAL FACTORS. External factors play a role in the sales price of a home. The prior “home sales” data that a Realtor provides is always in arrears. In a declining market a home currently on the market may not sell for as much as a similar home in the past. This is sometimes called a Buyer’s market. This is unlike a Seller’s market where prices are on a steady increase. Last sometimes the market is really not increasing or declining, this is called flat. In addition to the whole market we like to break it up and look at your home’s individual market segment as well (Similar location, size, and amenities.) In addition we like to consider:

- 1) How long are homes, in general, taking to sell?
- 2) How long are homes the most like yours taking to sell?
- 3) How many homes are currently on the market as compared to the past? How much competition do you have?

THE ART: By art, I refer to judging the home’s “condition” and its “fit and finish”.

CONDITION: Every home always needs repairs, sometimes minor, sometimes major. The less repairs a home needs, generally the higher the price it sells for. This

is why we suggest a pre-inspection prior to marketing. A pre inspection allows you to identify and address most minor repair issues prior to marketing the home. The better the condition the more money a home will usually sell for.

“FIT AND FINISH” This is really a measure of the finishing touches of the house. For example, is the kitchen countertop granite, is it the least expensive granite (builders grade) or a high end specialty granite? Are the bathrooms modern or old and in need of remodeling? Their condition may be fine, “working as intended”, but they look as though they have come out of the fifties, and in our community they may have. Generally, the better the “fit and finish” the more money a home will usually sell for.

DISCLOSE: While there is no requirement to do a pre inspection or to conduct repairs, Sellers do have a duty to disclose adverse material facts they know about. Sellers are not responsible for defects they do not know about and once a home is sold to a buyer any subsequent disclosed defects or unknown undisclosed defects are the buyer’s responsibility, NOT the seller’s. If a buyer still has concerns they should ask their broker about purchasing a home warranty to help cover other repairs after purchase.

INSPECTIONS: In most markets inspections are performed by the buyer after the Seller has accepted the offer and has begun the moving process. This often results in the Buyer asking for concessions threatening to back out of the contract if the Seller will not pay them. The Seller is packed or moved and now has only the choice of paying the buyer or putting the house back on the market.

To reduce this, we at Atomic Realty suggest a pre listing home inspection. The pros and cons of a prelisting inspection include;

Pros:

The Seller will know what is wrong with their home and repair or price accordingly. The Buyer will feel more comfortable with the home’s condition and often waive an inspection, and the Buyer may not ask for any repairs or a monetary concessions.

Cons:

It will cost the Seller some money upfront

YOU DECIDE:

Remember this is your investment and the price you ultimately ask and accept is up to you, and only you. We suggest being as objective as you can. A broker may make a price suggestion, and some brokers are desperate enough to tell you anything and any price to get your listing. At Atomic we give you our opinion that we support with data. Generally, a Broker is trying to help you, but if you want to market your home for a higher price than any data supports that is your decision, and honestly most of us will do so for you. If the broker cannot support their opinion with data perhaps look at other brokers as well. Please consider some of the possible consequences of overpricing your home.

- 1) If your home is seen as overpriced by buyers and other brokers, it may not get a contract on it quickly.
- 2) After a short period of time Buyer's brokers know to make offers at less than your asking price, because it didn't sell quickly at full price.
- 3) In the meantime, you will find it stressful and more difficult to move forward with your life elsewhere.
- 4) On the other side of the coin, if your home has great fit and finish, has a great location and is in great condition you may receive multiple offers driving the price far beyond the listed price or the price that the data supports. The market will always find the correct price.

Only you can make the decisions - As Brokers it is our job to provide you information and work towards meeting your goals. There is a saying that price isn't always the problem, but it is always the solution.

No one wants to reduce the price of your home but if your home hasn't sold consider this

It might seem like a contradiction, but the best way to sell your house for the highest price possible is to list it for a little less than it's actually worth. But a lot of sellers have a tough time taking that advice, and decide to list their house for much more than it's worth.

While their well-priced competition sells quickly — and often for over asking price — stubborn Seller's cling to their price and linger on the market for weeks, or even months. No matter how many times their Broker suggests reducing the price, they always seem to have a reason why they shouldn't. What is the cost and hassle of Seller's digging in their heels?

To help Sellers avoid making a mistake that can cost them tons of time and money, let's take a look at 6 common (but bad) reasons sellers give their real estate agent for not wanting to reduce the price of their house:

1) My neighbor said it's priced well and should sell quickly...

You can substitute the word neighbor with friend, family member, hairdresser, co-worker, other realtor or any other type of person you know, but it won't change the fact that just because someone you know said your house is priced well, it doesn't mean it's true. Follow the data.

People are often just being polite and supportive when they make an off-handed comment that your house should sell quickly. It isn't meant to be taken literally and used as your rationale for sticking to your guns on price.

2) Everyone else is just giving their house away...

It's easy to feel like every other seller out there is under-cutting your price just to get their house sold quickly. But there's no way everyone else on the market is just so desperate, or easily convinced by their agent to "give" their house away. They're just priced well based upon the sales prices of other similar recently sold houses, as opposed to trying to get way more than any other similar house has sold for.

3) Prices are only going to go up...

Historically home values do always go up over time. But that typically takes longer than most peoples' houses are on the market. So, unless you're planning on holding onto your house for a few more years, this isn't a good argument for not reducing your price. This also applies even in a hot market where houses are selling quickly and

over asking price. If yours isn't selling in a market where prices are going crazy, your price is too high.

4) We're going to need that wiggle room during negotiations...

Building in room to negotiate is a self-fulfilling prophecy. Ironically, the more wiggle room you build into your price, the more you'll eventually have to wiggle on price! If you price your house too high, it's going to sit on the market longer. The longer your house is on the market, the more buyers will feel free to come in with lower offers... which is still better than all of the buyers who won't even bother to write up an offer if they feel your price is way too high.

5) When the right buyer comes along, they'll see the value...

If you find yourself saying that you're waiting for the elusive "right buyer" to eventually come along, the chances are you've already let several other "right buyers" slip through your fingers who chose to buy another house that was priced more appropriately.

Buyers are armed with market data and won't be fooled by a price that's more fantasy than reality, no matter how much they love your house.

6) The buyers' agents obviously aren't selling the house well, or are missing important features...

Brokers show their buyers many houses, and (for the most part) each buyer they work with only ends up buying one of them. So they're showing a lot more houses that their clients don't buy, than they do buy. So, rest assured that they'd love for your house to be the one their buyers want. It's not like they're walking around trying to find things to bash about your house, or are failing to point out custom built-in cabinets that you think make or break the sale.

No matter how much the Buyer likes your house, or how perfect it is for them, what they're sure to point out is when your price is way too high for what the house is.

David Houck is the Qualifying Broker for Atomic Realty, with 40 years experience, a BS in math and physics and a doctorate in law.