

# Pricing Your Home

By Joel Ward

Naturally, most of us want to make as much money as possible when we sell our homes. At the same time, we don't want to price our homes so high that they are "out of the market." Finding just the right price point for our homes can be a difficult process, with few guarantees that we have hit just the right point. In what follows, I'll discuss my understanding of some concepts relating to real estate price and value with a view to helping you understand the process of pricing your home.

**Market Value.** Generally, "value" refers to a relationship between a seller and a buyer. The real estate industry defines "market value" as the most probable sale price of the property assuming that both buyer and seller are typically informed and motivated and that the property has been adequately exposed to the market. Let's call this "objective value" because it is about the value of an object—your home. Note that this does not say that the value of your home is the highest possible price that someone could ever offer you for your home nor does it say that it is the lowest possible price you should ever accept. Instead it says it is the most probable or likely price.

**What's it worth to you?** Most of us are proud of our homes, as well as proud of our ability to make good real estate investments. Many of us, me included, have a pretty high opinion of what our homes are worth. This kind of opinion of value is more subjective—its more about you or me—the subject than it is about the house (the object.) Likewise, when most of us go shopping for a home or a car, we tend to be astonished at how high the "sticker" prices are! How in the world could anyone think that their home was worth this much? Again, this is a kind of subjective value—it's not about the house but about the person holding the opinion.

**Independent Fee Appraisal.** In the real estate industry, the professional whose job it is to determine the objective value of homes is the state certified, independent fee appraiser. Appraisers are obligated to be unbiased, objective and truthful in providing opinions of value. They must certify that they have no present or future interest in the property being appraised. In our area, independent fee appraisers charge about \$225.00 for their services. One way to obtain help in pricing your home is to hire an independent fee appraiser. I am a state certified independent fee appraiser, and can offer you this service. However, if you choose to hire me as an appraiser, in order for me to maintain the objectivity and independence required of an appraiser, I could not later become your REALTOR. In any case, you may not be interested in the "most probable" sale price of your home, but rather the highest price you can realistically obtain.

**The Comparative Market Analysis.** As a REALTOR we routinely provide assistance to sellers in pricing their homes. Of course, as REALTORS we do have an interest in the successful sale of your home—our compensation is contingent upon a successful sale. Our approach to helping you price your home is three-fold: First, we provide you with a general understanding of the characteristics of the overall real estate market such as supply and demand relationships, average sale prices, average marketing times and the like. Secondly, we compare your home to other similar homes in your neighborhood (or competing neighborhoods) which have recently sold. This tells us what other buyers paid for homes similar to yours and what other sellers accepted. Thirdly, we compare your home to the other homes similar to your which are for sale right now. These are the other homes which buyers for your home would also see and against which the buyer would compare your home. By looking at all of this information, we can provide you with insight and recommendations to help you find a price point most likely to achieve your goal of a timely sale at the highest possible price.

**Adjusting Your Price.** Since many homeowners are interested in selling at the highest possible price, it is common for homes to be initially priced at the “top of the market” for that home or sometimes to be simply “overpriced.” The upside to this strategy is that you might get lucky and sell at a higher price. The downside is that you might discourage and lose serious buyers who would be willing to pay a more reasonable price. Once your home is on the market, it is important to evaluate the results of the marketing process such as the number of showings and comments from other REALTORS and their buyers. It’s also important to evaluate the competition. If your home is not being shown, and the competition is selling, then it’s likely that your home is being perceived by potential buyers as overpriced. Based upon this type of information, an adjustment in list price is often the best strategy to achieve the final goal—a timely sale at the highest possible price.