



THE THREE GOLDEN KEYS FOR PRICING

There are three things I keep in mind in every single one of my transactions when I'm evaluating a home and setting its asking price with the seller. Using these three concepts is the secret of my success and the reason why countless other realtors and customers have called me over the years to ask, "How did you get that listing to sell?"

The three concepts (I call them the three "-tions") are simple and vital for anyone who wants to understand how real estate pricing works.

1. COMPETITION

A home seller might try to inflate their home's price, thinking that they need to set the bar high before they negotiate. Or they might have a real estate agent who wants the listing so badly that she'll tell them whatever they want to hear. But in doing this, that home seller is putting himself at a severe competitive disadvantage.

It's like a football game: you simply must know the competition. How many homes in your price range are on the market? If there are several homes in your neighborhood waiting to sell, you must price your home aggressively—even a little less than you might have liked—in order to get the buyers.

Keep in mind, the amount you come down in price is probably equal to or less than a month's worth of carrying costs, which is the amount you'll pay if you hold the home for longer.

If there are fewer homes in your neighborhood for sale, then you can shoot for a price that's right on the market.

2. ATTRITION

So now that you know how many homes in your price range are available, find out how many of those homes have been selling per month for the last three to six months. This will give you what is called the “absorption rate” or rate of attrition. With this number, you can get a clear picture of what to expect as far as the time it will likely take to sell your home. It’s no guessing game; it’s a business calculation.

3. CONDITION

How does your home’s condition compare to other homes on the market and to those that have sold? Be realistic. What is the condition of the landscaping? How about the exterior paint or updates? What’s the condition of the carpet, flooring, appliances, roof, and interior paint?

In a buyer’s market—and today’s market is certainly a buyer’s market—updated homes sell faster than those that need updating. “Updated” means that your house has been redone in the past five to six years and the updates should be comparable to recent construction.

Evaluate your home the way a picky buyer would and have realistic expectations.