

The Home Sale Pricing Puzzle

Expert's 8 key considerations for pricing residential real estate to sell

Most sellers have an emotional connection to their home and feel it deserves top dollar when being sold. Everyone naturally wants to get the most money for his or her product, but "sellers must not be hasty with this all-important decision," cautions real estate expert Robert Jensen, founder and CEO of The Jensen Group. "Indeed, the most common mistake that causes sellers to get less than they hope for is listing the sale price too high."

Jensen notes, "Listings reach the greatest proportion of potential buyers within the initial days and weeks after hitting the market. If a property is overpriced early on, it will be dismissed—or outright missed—by prospective buyers and may result in price reductions that will reflect poorly on the listing. Overpriced properties languish on the market, and most end up selling at a lower price than would have been realized had it been priced properly in the first place."

To help would-be sellers foster maximum profits with their real estate transaction, Jensen offers these insights on the various elements that must be considered when establishing a fair, competitive and marketable sale price for a home:

Square footage - Total square footage is an important consideration when establishing a home's sale price, but this is usually just a starting point for buyers who will use it to narrow down the field, but make an actual purchase decision based on many other factors. There are some general rules of thumb to know when considering a home's price per square foot, such as smaller homes generally get a higher price/foot than large homes, and single stories will sell for a higher price/foot than a two story.

Location within community - Homes that back up to a busy street get, on average, 10 percent to 20 percent less than homes elsewhere in a neighborhood. Anticipate this type of

obstacle and factor it into the original sale price to avoid inevitable price reductions down the road, which reflect poorly on the listing and will likely cause it to sell at a lower price than would have been realized had it been priced properly at the onset. Quiet cul-de sacs, golf or water frontage lots that offer privacy are value adds that can certainly justify a higher sale price than other homes in a community—or be leveraged as an advantage against competing listings.

Views...or lack thereof - Whether it is the ocean, a downtown skyline, the mountains, water or some other desirable landscape, buyers are willing to pay a premium for views and a home should be priced accordingly. Just be

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realistic. A view that can only be had by standing on the counter from the second story looking out the window to the left simply doesn't count, and it's inadvisable to dupe a prospective buyer by adding this to the listing's MLS description.

Upgrades and features - It's a simple formula: upgrades = sold. For a home to sell quickly and for the price desired, it must be "finished" with as many structural and interior design upgrades as possible...and nothing's too small to leverage in establishing a home's price point. From crown molding to faux painting to door handles and cabinet handles/knobs with modern finishes, to more obvious upgrades such as appliances, window, counter, cabinet and floor treatments, to swimming pools and surround sound wiring—any functional or beautification enhancement to a home are considerations in establishing its true

value and strategic sale price.

Community amenities - Guard-gated communities or those with amenities such as a clubhouse, swimming pool and/or fitness center are also elements that often raise a home's price per square foot. When pricing a home without these benefits, know whether you are competing against other homes that do offer such value adds so that you can price your home as aggressively and competitively as possible.

Comparable sales - Price your home referencing sold comparables—price per square footage of other homes that have already sold in your community—up to 3 months old maximum, as looking beyond 3 months is simply not a realistic portrayal of current market conditions and may steer you in a wrong direction. It's also as important to compare your listing to active competing listings—homes currently for sale, which is the best tool for honing an effective pricing strategy—particularly for highly motivated sellers.

Professional appraisal - Sellers often frown on the idea of paying for an appraisal before there's even an offer on the table, but doing so is actually one of the most important things a seller can do in pricing a home relative to current market conditions. Want to sell the home quickly? Price it at or below the appraised value, as buyers are educated, are shopping deals, and will recognize your fair price and be more apt to pay it with less haggling.

Current mortgage conditions - The current mortgage market has tightened its proverbial belt and many lenders now require higher credit scores coupled with higher down payments, which can cash strap a buyer who will most definitely be holding out for the best deal possible. Every seller naturally wants to get the most money for his or her product, but a savvy seller will understand the mortgage industry's impact on the buyer and will price accordingly.●

