

PRICING STRATEGIES

Why didn't your neighbor's home sell? The home is in a good location with a corner lot and a large landscaped yard, plus it's a newer home with all of the plush amenities a buyer could want like an open floor plan, spacious bedrooms, and high grade cabinets and appliances. So why wouldn't at least one buyer want to buy the place?

There is a one word answer: **price**. Homes that don't sell are more than likely overpriced. The market isn't rejecting the home so much as it's rejecting the price of the home, and in today's ultra-competitive real estate market buyers will only purchase a home that offers them the best value for every dollar spent.

So if you don't want to follow in your neighbor's footsteps how can you pick the "right" price, one that provides you with top dollar but doesn't send potential buyers running into the arms of your competition? Let's look at some quick tips to help you set the right price for your home:

Look at the comparables

Identify homes that have sold in your market area over the last few months that bear some resemblance to your home. This is called researching the comparables. Next, take an objective look at each listing and ask yourself based on what has sold recently what you should expect to receive for your home. By the way, this is exactly the same approach that appraisers will use to determine market value should your home sell to a buyer who requires a new loan. (It's highly likely as 93% of buyers will finance at least part of their purchase)

Look at the trend line

Where is your market heading? Is it going up, down, or sideways? By understanding the market's trend line you can price your home ahead of the curve instead of chasing the market. For instance, a seller who overprices his home in an area of declining prices is actually more overpriced everyday he remains on the market, while a seller using a more aggressive pricing structure may seem to be selling too cheaply today but may look like a genius in six months. Visit Trulia's [Stats & Trends](#) to check out the current trend in your area.

Look at the days on market

If you only have a limited amount of time to sell, it may be wise to closely study the average days on market. This number is the average length of time it takes a home to sell from start to finish in your current market. For instance, if on average it takes 90 days to sell in your neighborhood but you need to sell in 30 days - guess what? You may need to adjust your price downward to attract a buyer more quickly.

Get opinions

One way to help determine a price for your home is to ask for a competitive market analysis (CMA) from a local agent. Typically a free service, these reports will detail market statistics, active and sold comparables, and often include adjustments for unique items that your home may offer. But, because an agent has vested interest in building a relationship with you, it may be difficult for them to tell you a realistic price so be sure to give them permission to be brutally honest.

Avoid the traps

Many sellers fall into some classic pricing traps that can easily be avoided. One is assuming that the tax value of a home is an accurate pricing gauge. This is a bad idea as many taxing authorities use computer models that have not yet accounted for the steep price declines experienced in most areas of the country. Another trap is assuming that the insurance replacement cost is a good indicator of value. Nope - the replacement value is an estimate of what it would cost to rebuild the home, not what the home is worth today. The last trap is assuming that your home is always superior to the comparables. This is not likely - your home has pluses and minuses like all the homes that have sold in the marketplace.

So how will you know if you get the price right?

If you have a steady stream of buyers pouring through the front door every week, odds are you have done a good job with placing a fair market value on your home. On the other hand if all you hear outside your home is the unnerving sound of silence, you may need to make a quick pricing adjustment. Sure many home owners make the "I don't have to sell" speech in the mirror every morning, but the fact is if they have a for sale sign in their front lawn they do want to sell, and the best way to ensure a successful sale is to set a realistic price relative to the market conditions.

ADJUSTING TO THE MARKET....WATCHING THE RED FLAGS

Something has gone haywire. You put your home on the market over three months ago and you haven't yet received an offer. You thought you did everything right. You listened to your agent by following his advice on pricing, completing a few home improvement projects, and even allowing him to show the home on short notice. Still nothing - it's all quiet on the home selling front.

When you hire a real estate professional, even a seasoned agent, it's natural to assume that the counsel and advice you receive from these market experts should always lead to the immediate sale of your home. But often this isn't the case. Why? Because the pool of real estate buyers available in any given market determines the salability of a home, not agents, insurance agents, mortgage brokers, title companies, or even homeowners. Homebuyers can be a fickle group who can turn on a dime, moving towards or away from pricing categories, home styles, niche markets, and even whole neighborhoods at the drop of a hat. This is exactly why it's so easy to make a mistake when positioning a home for sale, and why it's critically important to adjust your strategy when necessary.

To stay vigilant let's take a look at five red flags to watch for:

1. No showings

On average a home buyer will look at 10-15 homes before making a buying decision. If you are receiving few or no showings as the weeks roll by this should be a clear indication that buyers are rejecting the price of your home. Sure they may see your listing in real estate magazines, the newspaper, or the internet, but as quickly as they are exposed to your home they reject it. Why? It's overpriced and the only solution is to adjust the price.

2. No offers

If buyers are viewing your home regularly yet you receive no offers, this can be a red flag that buyers aren't rejecting the price but the home itself. This is a classic condition issue challenge which has one of two solutions. The first is to interview buyers or their agents to discover their objections to your home and then immediately fix those issues. If you are unwilling or unable to do this, the only other option is to adjust the price to compensate for the cost of fixing problems after the buyer takes possession. This technique is often referred to as providing an allowance.

3. Lowball offers

If you have received one or more low-ball offers, this can be a red flag that buyers don't perceive the same level of value in your home as you and your agent. To help overcome this obstacle you may wish to allow your agent to release the competitive market analysis, or formal appraisal that was used to price the home to potential buyers. In addition, provide buyers with a list of improvements you have made to the home, as well as other value points that would be important for them to know before making an offer. In the end you may still need to make either pricing or condition adjustments, but at least you will have made an effort to build value in the buyers' eyes.

4. Agent comments

In most cases a cooperating agent will be the one who brings a buyer to your home. But if agents perceive that there is a challenge with your listing - something that they believe will turn buyers off - it's a good bet that they won't want to waste their time showing your listing. To deal with this challenge many sellers ask their listing agent to conduct a tour of the home with cooperating agents. They invite these agents to fill out comment cards with their opinions on price, condition, and overall salability. To increase the odds agents will unleash their gentle brutality on your home, make sure the comments cards remain anonymous.

5. Market changes

The real estate market is changing rapidly. For instance, home owners who put their home on the market last week and, at that moment had the best buy on the block can easily find themselves overpriced the following week when all of their neighbors reduce their prices. To stay ahead of the market curve you must be aware of your competition. Ask your agent for regular updates on every home you are competing with for a buyer's attention. Pay close attention to pricing and condition changes, pending and closed sales, as well as new listings, which may impact your price and position in the market.

To sell your home requires that your home is exposed to every ready, willing, and able buyer in the market place, and that your home offers those same buyers the best value for dollar spent. In other words, exposure by itself isn't enough. No amount of advertising or marketing will force a buyer to buy an overpriced listing or a home in inferior condition compared to the competition. It's tough but true. Successful sellers embrace change and aren't afraid to adapt to the market or to buyers' needs.