

How to Price Your Home

Pricing decisions should be grounded in reality rather than wishful thinking.

By Marcie Geffner

When the time comes to price your home for sale, you may be tempted to start with the price you paid for it, add a healthy markup and call it a day. Unfortunately, that strategy is unlikely to result in a true reflection of your home's market value.

Here are six strategies to help you figure out how much your home is worth:

1. Abandon your personal point of view. How much will a ready, willing and able buyer be willing to pay for your home? Buyers don't care how much you paid for the home, how many memorable moments you and your family shared in the home, how much cash you need for the down payment on your next home or how much time and money you've invested in your home's hardwood floors, fresh paint, lush landscaping or other improvements.

2. Get a CMA. Invite real estate agents to visit your home and give you their opinion of its likely selling price. Ask for a "comparative market analysis" (CMA), which shows the prices of comparable recently sold homes, on-the-market homes and homes that were on the market, but weren't sold. The on-the-market homes are the "competition" for your home. Ask the agents why each home was included in the CMA and whether any other comparable homes were eliminated from the CMA. Price recommendations based on CMAs aren't gospel. Some agents will tell you to under-price your home in hope of sparking a bidding war. Others will suggest a flatteringly high price to "buy" your listing only to demand a price reduction a few weeks later.

3. Do your own market research. Go to open houses in your neighborhood and try to make an impartial assessment of how those homes compare to yours in terms of location, size, amenities and condition. Assuming all the asking prices were the same, would you buy your home or someone else's?

4. Calculate the price per square foot. The average price per square foot for homes in your neighborhood shouldn't be the sole determinant of the asking price for your home, but it can be a useful starting point. Keep in mind that various methodologies can be used to calculate square footage.

5. Consider market conditions. Are home prices in your area trending upwards or downwards? Are homes selling quickly or languishing? Will your home be on the market in the spring home-buying season or the dead of winter? Are interest rates attractive? Is the economy hot or cold? Will you be selling in a buyer's market or a seller's market? Is the local job market strong or are employees fearful of staff reductions?

6. Sweeten the transaction terms. Some buyers have needs that go beyond the bottom line. If you're willing to close escrow quickly, you'll attract buyers who want to move in right away. If you can offer seller-financing, your home will appeal to buyers who need to stretch their financial resources. A lease-option can help first-timers who need down payment assistance. The more creative and flexible you can be in meeting the buyer's needs, the more success you'll have in pricing your home to sell.

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