



## Home Pricing Strategies

There are a variety of strategies to help you determine the price of your home. No one strategy can stand alone, but used together they can narrow the best possible price for your home.

### Review Comparables

After sizing up the landscape, comparables play the biggest role in setting the price. Considered part art, part science, "comps" are regarded as the single-best tool in determining a home's value. There are some tricks determining which comps are the best. You can view comps on your property or anyone else's on Zillow.com, but this method is highly discouraged for many reasons. The only way to provide you with accurate, granular pricing of your home is to study the local market and actually visit local "comps" (comparable properties to yours). If an agent determines a market price for your home without actually visiting comparables in your subdivision; **fire him/her immediately.**

### Look at Unsold Homes

Homes on the market that haven't sold yet are also a consideration, although not a strong one. Look for the reason the homes did not sell. Most of the time you will find the home was overpriced, and the price was not adjusted fast enough to capture the attention of the limited pool of buyers. Check the Days on Market (DOM) and the corresponding price reductions to see if the appropriate actions were taken to effectively position the house to sell. Taking the right action at the right time is key to keeping the momentum of a new listing. Failing to recognize the need for adjustments is the main factor causing listing stagnation.

### Look at the Active Competition.

Find a home most similar to yours and find out how many days it has been on the market. If the house has been sitting for a while (more than 30 days), you will see the market is not convinced that is the correct price for that home. Once you see the "Sold" sign, find out how much above or below the list price it sold for. This will give you a good idea of how the market is behaving and how aggressive you can be in setting a price.

### Use Square Foot Pricing

How to use square foot pricing. Take 3 - 5 homes *as similar to yours as possible*, add up the square footage and divide by the number of homes. This will give you an average per square foot for your comps. Then, add up the sold price of each home, divide by the number of homes to get the average. Lastly, divide the average sold price by the average square foot to get the average price per square foot. Once you have the



average price per square foot, multiply it by your home's square footage. This is just another tool to help you price your home.

**Example:**

**Step 1: Find the average sq. ft. of comps**

Home 1: 1,950 square feet  
Home 2: 2,400 square feet  
Home 3: 1,800 square feet  
Home 4: 2,050 square feet  
Total: 8,200 square feet

$$8,200 / 4 = 2,050 \text{ sq. ft.}$$

2,050 is the average sq. ft. of your comps

**Step 2: Find the average price of comps**

Home 1: \$310,000  
Home 2: \$410,000  
Home 3: \$299,000  
Home 4: \$325,000  
Total: \$1,344,000

$$\$1,344,000 / 4 = \$336,000$$

\$336,000 is the average price of your comps

**Step 3: Divide the average price by the average sq. ft.:**

$$\$336,000 / 2,050 = \$164/\text{per sq. ft.}$$

\$164 is the average price per sq. ft. of your comps

**Step 4: Set the price of your home:**

Take \$164 and multiply it by your square footage to get a price. For example, if you have a 1,975-square-foot home, multiply it by \$164 (e.g., 1,975 sq. ft. x \$164 = \$323,900).

Bingo! Your home's baseline price is: \$323,900!



### **Get a Comparative Market Analysis (CMA)**

If you've used the three strategies above, but still need reassurance, go to a real estate agent -- or two or three -- and ask them for a CMA. Whether you use the agent to sell your house or not, they will be more than willing to provide a CMA in hopes of getting your listing. It shouldn't cost you any money to get one.

### **Get an Appraisal**

Hire a professional appraiser. An appraiser will cost approximately \$250 - \$400, depending on your home size and uniqueness of the property. They will come to your home and itemize the number of rooms and amenities (e.g. swimming pool, fireplace, etc.) and will pull comps from other nearby homes that sold recently. Once they have completed their review of your home, the comps, and the market, they will furnish you with an appraisal. This will be an estimation of your property's fair market value.