

# Principals of Pricing & Market Value

1. Price is the amount of value established by the homeowner and the listing agent. This is an arbitrary figure that could or could not represent a value that potential buyers would feel compelled to view and potentially purchase the property.
2. Value is what the property is worth to someone.
3. Market Value is a price range that appeals to many buyers and causes a sale to occur within a reasonable time frame.
4. Pricing should be based on the value to the buyer, not the cost to the owner.
5. The values of the most expensive homes in a neighborhood will tend to be decreased by surrounding homes. In contrast, the values of the smallest, least expensive homes in a neighborhood will tend to be increased by surrounding homes.
6. Values are determined by the market price per square foot of nearby homes of similar size, condition, and amenities. The higher the square footage of a house; the lower the price per square foot.
7. The more similar the homes are, the more consistent the values are. Values in neighborhoods of older homes will be more variable because some homes will be updated, and others not.
8. It is tempting to want to test the market at a price higher than market value. While there may be no harm in starting high and lowering the price if necessary, testing the market can be risky. A property receives its fullest exposure during the first three weeks on the market (Recreational properties may vary). During this time the best buyers will see the property, and if it does not appear to be good value, these qualified buyers will decide not to buy. Unfortunately, it is rare that such buyers will return to the property later, even if the price is reduced because they already ruled it out. Thus, an owner who “tests” the market may turn away the best of his potential buying prospects.
9. When a price is too high, those buyers for whom the property would be right will not see the property because it is out of their price range. Buyers who are in the price range will not see the property as a good value based on comparable sales and will buy something else.
10. If there are less than a normal number of showings, and no offers, the property is over-priced. If there are a lot of showings and no offers, it means the same thing. There are no exceptions (assuming there are good pictures online and no barriers to showing the home).
11. While it is commonly known that pricing a property too low may not provide the highest return; it is less well-known, that pricing a property too high will also produce less than the best return.
12. No matter what the listing price is, buyers will almost always first offer something less. This does not mean they won't pay full list price (or that the seller has to accept less than the list price). It's always prudent to work with all offers.

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13. A property priced above what it's worth will still only sell for what it's worth (or less), and it will take more time to sell.
14. Unfortunately, buyers are not concerned about a homeowner's emotional attachment or the money that's been invested in the home.
15. A home is more likely to get the full list price in the first few weeks of a listing, than after 1-2 months. Reason: When it's a new listing and priced right, buyers feel more pressure to offer full price due to fear that another buyer will snatch it up first.
16. Waiting it out doesn't work well when there have been a good number of showings with no offers. If lots of buyers have been through a home and chose to not make an offer, the chances that buyers during subsequent showings will feel differently is slim.
17. As time goes on, buyers see that a home has been on the market for a long time. They start to make assumptions as to why the home isn't selling (ie the seller is not serious, or there is something wrong with the house).
18. Price reductions should be 3-5%. Anything less is a mistake. Reducing a price 1%, for example, doesn't make sense because if the property were really worth an amount 1% less the original price, offers would have been made already.
19. When there aren't (or haven't been) any showings – a more drastic price reduction is required – often 10% or more.
20. The lower the listing price (ie the closer to market value), the more showings and offers there will be.
21. A property will sell for full list price if it is worth full list price.
22. There's no need for "negotiating room" when the home is priced right. Buyers will see the value and pay the full asking price.