

The Principles of Pricing

The most critical part in preparing to market a home is determining the listing price. Naturally one wants to realize the highest possible return from the property. It is obvious that pricing a home too low cannot provide the highest return. However, it is less obvious, but true, that pricing a home too high will also produce less than the best result.

The Right Price Produces The Best Return

Too high a price is costly because it causes a property to “miss the market”. When a price is too high, those buyers for whom the home would be in their price range will not see the property as a good value based on comparables and will buy something else.

Further, agents will be reluctant to show an overpriced property, except perhaps to make a competing property look more attractive by comparison.

It is tempting to want to test the market at a high price. While there may seem to 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. During this time the best buyers for the home will see the property, and if it does not appear to be a good value, these choice prospects will decide not to buy. And it is rare, that such buyers will return to the property later, even if the price is reduced.

Thus, an owner who “tests” the market may turn away the best of his potential buying prospects. And, if an offer is made that is low relative to the asking price, the owner may turn it down, when in fact it often may be the best offer received.

Pricing at home is part science, part art. Like science, the evaluation process should be based on evidence; the price paid for comparable properties in recent sales. Since no two homes are exactly alike however, the evidence must be evaluated and a judgement reached. Because there is a great deal of emotional attachment to one’s home, the agent’s professional judgement is vital to successful and accurate pricing.

The right price produces the best return. That is a principal you can count on.

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