

Don't lose THOUSANDS of \$\$\$ by selecting the wrong asking price for your home.

Every week *dozen if not hundreds of houses sell* in your local market, many of them for thousands of dollars less than they should have. This is why selecting the RIGHT price to list your home for is so critical.

Some home owners when listing their home for sale choose a price that is too HIGH in hopes of drawing in a buyer who is either uninformed or willing to pay full price for the upgrades in the home.

Some home owners, when the time comes to sell choose a price that is too LOW for the home, because they were in a hurry to sell, didn't research the market properly, or were misinformed as to the TRUE value of the home.

When a home seller chooses a listing price that is too high, despite how nice the home may be many potential buyers feel reluctant to make an offer that they feel is reasonable for **fear of insulting the home owner**. (Yes you heard that right, you may not get offers cause people don't want to insult you.) You may have heard people use this strategy when they say "**I'll put the price up so even if someone offers me Ten Thousand less I'll still be happy with the price.**" What really happens is the home sits on the market, actually *out of the market* for weeks or months, the home owners reduce the price again and again in hopes of finding a buyer and in the end, they either decide not to sell or accept far less than the house is actually worth because they can't get a reasonable offer.

On the flip side some home sellers set a price that is too low when listing their house, usually in hopes of creating competition, or as we call it multiple offers, in hopes of getting buyers to bid more than the asking price to win the home. What happens though when only ONE offer comes in? They take it, or don't, but end up accepting closer to what they *asked* for than what the home might really be **worth**.

Pricing Considerations – Find a Balance Between Too High and Too Low

When setting a list price for your home, you should be aware of a buyer's frame of mind.

Consider the following pricing factors:

If you set the **price too high**, your house won't be picked for viewing, even though it may be much nicer than other homes on the street. You may have told your REALTOR® to "Bring me any offer. Frankly, I'd take less." But compared to other houses for sale, your home simply looks too expensive to be considered.

If you **price too low**, you'll short-change yourself. Your house will sell promptly, yes, but you may make less on the sale than if you had set a higher price and waited for a buyer who was willing to pay it.

Don't let any of these scenarios be you!

There are 3 vital questions you can ask (and hopefully answer) to find the true value of your home.

What have similar homes in your area sold for?

How do these homes and their sales resemble your home?

What can someone buy with the same money?

Click here to read the FULL Report

If you have any questions regarding pricing I would be happy to do a FREE Comparative Market Analysis and let you know the current market value of your home. Call today 788-2113

Sounds simple right? Three questions, which when answered will help you find the RIGHT listing price:

#1 What have similar homes sold for in your area?

One of the greatest factors that sets your home's TRUE value are **recent sales**, home appraisers use them to appraise your home, banks use them to figure out if they should give your buyers a mortgage and for how much, REALTORS ® use them to set price ranges for their listings, the city uses them to set taxes every year, buyers use them to figure out if you're asking price is fair, and now you are going to use them to figure out what you should list for. Really this is where everyone starts, *what someone else got for their home* and can I GET MORE.

You can access information on what houses sold for from a lot of places, in order of believability; there is neighbourhood gossip, sites like www.Realtor.ca or www.ForSaleBuyOwner.ca that show current houses for sale (keep in mind this shows asking prices, not what someone accepts when it sells), the homes old owner (who may not want you to know what they really accepted), your local REALTOR ® who has access to all agent related sales data, or the local land registry office that has all records for all sales including private transactions.

Getting access to the sales data is only half the work, you still have to interpret them, for example:

What does a REALTOR ® related sale mean? It means someone bought the house AND paid for *agents services*, so if a home on your street sold for \$300,000 **up to \$20,000** of that may have

been the agents commission, making the homes true value closer to \$280,000 (NOTE: you may not be able to tell from land registry records which is a private vs public sale).

You may also notice some sales that seem too low, ranging from \$1 to 70% of what the home should be worth. **Estate transfers** often take the form of \$1 sales when a deceased relative passes on the home in their will, parents give a home to their children or siblings and other transfers of this sort usually between friends and family.

The city, banks, and other interests in a home have the right to claim the sale of a home to pay back debts or outstanding taxes and these sales can be anything from auctions to direct sales to other banks. **Banks** (in Canada) that foreclose on a home are required **by law** to obtain as close to market value when selling a property, and they usually do, but sometimes they can write off a home that has repeatedly received low offers as unsellable above that amount and sell it in a low range. The **City** can auction homes *seized* for not paying taxes (so you should) at any amount above a certain % of the home's value, they usually aim to get 65% or more. There are also partial transfers (say an ex-husband or wife buying off half the home) where only a portion of the home's value is registered as the sale price.

So once you gather the information and translate it you should have a good idea of what the true value of recently sold homes in your area, which brings us to question #2.

#2 How do the recent sales and conditions of the sale compare to your home?

Once you know what homes in your area command you can figure out how much your home should sell for by comparing them to yourself...with a few differences. Keep in mind that **size** (useable square footage), *age*, condition, LOCATION, *Upgrades* and builders all have an effect on the selling price.

Start with size; are the homes you are comparing to larger, smaller or similar size, does your home or the one's you are using as a reference have a finished basement or any additions that add more space. Most properties in an area will fall into a price (\$) per square foot range that holds consistent throughout the area. The range of value is also affected by the age of the structure, with **older homes** commanding the lower end of the structure and **newer homes** nearer the top. The age of the home also ties in with the condition of the home since you can offset the age drag on price with mechanical and structural upgrades like replacing the windows and doors, re-shingling the roof, residing the outside, replacing the furnace, heat pumps, water tanks, ect. Upgrade value also extends to the inside condition as well, fresh paint, clean and repaired floors and walls get higher values for homes than an untidy home or a home that has chips and nicks in the cupboards and counters. Some upgrades add more value to your home; **paint is the #1 value adding upgrade** and widely considered the only upgrade that gives MORE return on the sale price. Then depending on your home and area Hardwood floors, Kitchen upgrades and Bathroom upgrades give the best return on the sale...with the caveat that upgrading for the purpose of selling will NOT give you an equal return on your investment, usually only about 50% or less, but these upgrades can add value to the selling price;

Here's why; when a buyer is looking at a home to purchase they often have a hard time looking past the clutter, dirt, and decor. That is one of the reasons *neutrals are so recommended* in staging. When this buyer sees work/upgrading that needs to be done they usually (in their mind) deduct about x4 what the upgrade might cost (since they don't have an accurate estimate). Now having done the upgrade yourself (say a \$2,500 hardwood floor job) you might only get an extra \$1,250 when selling the home, which makes this seem like a poor investment, unless you consider that those same buyers having seen the old carpeting could have offered you **\$10,000 less** for the same home.

When planning an upgrade for your home to prepare for a sale, consider these words of advice, "Clean, simple and neutral, will outsell upgraded to the hilt any day."

So what about Location? In real estate (and setting your home's price) three things matter; Location, Location and Location! So what does this mean to you, you can't move your house but you can take it into consideration when pricing, and marketing the home.

So here are a few *simple location rules*:

- Houses on or backing onto Busy Streets command less \$ than houses on side streets or on cul-de-sacs.
- East-West (forward) facing homes command more than North-South facing homes.
- Homes on a hill or with a view command more than those without or with an unobstructed view.
- Homes on water command more than those with simple access.
- The closer to shopping, parks and amenities, without being on the same block as them the higher the value they command. With a slight dip in the last block.

One more factor to consider is the builder of your home, while builders tend to work in phases dominating much of the Real Estate in an area they will sometimes partner with another builder or sell off a few of their lots to smaller builders to create some diversity. Different builders have varying degrees of quality and reputation in a community and that affects the value of your home as well. A unique home built by a small builder can increase your price but may be over upgraded or out of character for the area lessening the increase in listing price. In areas where builders partnered to create a community one builder's homes may be more preferable than another's due to quality or design.

Once you have taken these factors into consideration you should be able to compare your home to recent sales and narrow in on a great listing price, but there is still one more factor to look at, what is for sale.

Price Against Comparable Sales in Your Neighbourhood

No matter how attractive and polished your house, buyers will be comparing its price with everything else on the market.

Your best guide is a record of what the buying public has been willing to pay in the past few months for property in your neighbourhood. Your REALTOR[®] can furnish data on sales

figures for those comparable sales and analyze them to help you come up with a suggested listing price. The decision about how much to ask, though, is always yours.

Competitive Market Analysis (CMA): The list of comparable sales a REALTOR® brings to you, along with data about other houses in your neighbourhood that are presently on the market, is used for a "Comparative Market Analysis" (CMA). To help in estimating a possible sales price for your house, the analysis will also include data on nearby houses that failed to sell in the past few months, along with their list prices.

A CMA differs from a formal appraisal in several ways. One major difference is that an appraisal will be based only on past sales. Also, an appraisal is done for a fee while the CMA is provided by your REALTOR® and may include properties currently listed for sale and those currently pending sale. For the average home sale, a CMA probably gives enough information to help you set a proper price.

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#3 What are buyers comparing your home to?

Having selected a listing price for your home based on what other houses have sold for in the area is the same as putting the target in the crosshairs; but before you take the shot have you accounted for the wind?

The winds of change can blow quickly in real estate, one day there are there are next to no houses on the market in your desirable neighbourhood and the week that you offer your home up for sale seven others come up as competition...what if they were listed at a lower price than yours, would the buyers still make you an offer, would they even come to see your home.

The final adjustments for setting a listing price for a home are usually done quickly at the last minute, while the price selected may have been great last week are there any changes needed to make it competitive today?

An area with A LOT of houses for sale will drive in many buyers, starting with the lowest price and working their way up, where does your home fall in that list? You can narrow down the list to homes with one more or less bedroom than yours then rank yourself; do you make it into the top 10? How about the Top 5? The closer you are to the top 5 the more showings you will have and the more likely you are to get a serious offer.

An area with FEW to NO houses up for sale may place you automatically into the Top 5, but then you need to ask the question what are they comparing your house too. You see when a buyer goes out shopping for a home they look at 5 to 10 homes and select the best one for themselves (based on price). If yours is the only home going up for sale or one of a few the buyers LOSE their frame of reference, it's easy for them to look at your home and the same model down the street and say for \$1250 more I get your home with the hardwood floors, "I'LL

TAKE IT!” However when they look at your home alone there is not a comparison to say “WOW this is a great deal.” So they look around, at other areas with similar homes or nearby neighbourhoods with similar prices to compare against yours, then how does your house compare?

Here is a case study that may help you understand this concept better:

Mr. Man wanted to sell his house in Ottawa’s Riverside South community. He had a single family home, 3 bedrooms, 2 bathrooms with a partial finished basement on a pie shaped premium lot. He had done his research in the area and with the help of his REALTOR® and selected a price of \$325,000 which made his home the lowest priced 3 bedroom single in the community. Now at the time they listed his home for sale there were 2 other 3 bedroom singles for sale, and the most recent 3 bedroom single sale was \$332,000 and that was a regular lot.

First week 10 showings, even the local Real Estate Expert admitted it was a fantastic price, and he brought 3 of his clients back for a second look in week 2.

Fast Forward – 1 Month: No Offers – 6 Weeks: No Offers

That was when I was called in, and I asked exactly the same question I just asked you, “What can I buy with the same \$325,000?” (Ok yes I asked you **What are buyers comparing your home to?** But it’s basically the same question.)

So we looked, in Riverside South, nothing, there was NO COMPETITION, so why was the house not selling? Then I looked across the river, you see Riverside South is exactly the same distance out of Ottawa Centre as Barrhaven, the same commute, a smaller community but still comparable, and do you know what we found, 18 homes for sale that compared or were larger for the same price. Guess where the buyers who had looked at this home had taken their \$\$\$.

Week 7 the price is lowered to \$319,990 now making it more appealing compared to these homes in Barrhaven, and placing it in competition with semi-detached homes.

Week 8 or 9 (can’t quite remember) the home sells for very close to the listing price.

Does that help? I hope so, if not give me a call **613-788-2113** and we can help you figure out the BEST listing price for your home.

There are a few other considerations, so if your brain isn’t too full take a look at these few last potins:

Formal Written Appraisal: A formal written appraisal (which may cost a few hundred dollars) can be useful if you have unique property, if there hasn't been much activity in your area recently, if co-owners disagree about price or if there is any other circumstance that makes it difficult to put a value on your home.

TIP: If you do order a market value appraisal, make it clear you don't need an elaborate, or full narrative report, i.e., the kind that's complete with photos of the house and neighborhood. Floor plans and a site map is sufficient in most cases.

Market Conditions – Is it a Buyer's Market or a Seller's Market?

A CMA often includes a Days on the Market (DOM) value for each comparable house sold. When real estate is booming and prices are rising, houses may sell in a few days. Conversely, when the market slows down, average DOM can run into many months.

Your REALTOR® can tell you whether your area is currently in a buyer's market or a seller's market. In a seller's market, you can price a bit beyond what you really expect, just to see what the reaction will be. In a buyer's market, if you really need to sell promptly, offer an attractive bargain price.

If You Price High, Set a Schedule for Lowering the Price

Some sellers list at the rock-bottom price they'd really take, because they hate bargaining. Others add on thousands to the estimated market value "just to see what happens." If you want to try that, and if you have the luxury of enough time to feel out the market, sit down with your REALTOR® and work out an advance schedule for lowering the price if need be.

If there haven't been many prospects viewing your home after three weeks, you may need to lower your list price. If that doesn't bring any prospective buyers, you may need to lower your list price again. Plan on doing that regularly until you find a level that attracts buyers. Make a written schedule in advance, before emotion takes over and you're tempted to dig your heels in.

Offering Incentives to Hasten a Sale

Sometimes cash incentives are as effective as lowering the price, especially in the lower price range where buyers may be "cash poor." You may offer to pay some or all of a buyer's closing costs and discount points required by the buyer's lending institution.

If you haven't had much traffic through your house and you're in a hurry to sell, you may want to add the offer of a bonus to the selling broker, in addition to their commission. An example of the wording for such an offer may be "to the broker who brings a successful offer before Christmas."

Estimating Net Proceeds

Once you've been given an estimate of market value by your REALTOR®, you can get a rough idea of how much cash you might walk away with when the sale is completed. This can be particularly useful when you start looking for another home to buy.

To estimate your net proceeds, from the estimated sales amount, subtract the applicable costs in the three sections outlined below: seller's costs, buyer's/seller's costs and closing costs.

Seller's Costs: Subtract the following costs as applicable.

- payoff figure on your present loan(s)
- broker's commission
- prepayment penalty on your mortgage
- attorney's fees

- unpaid property taxes

Buyer's/Seller's Costs: Additionally, your REALTOR® can tell you whether local customs or rules dictate whether the buyer or seller pays for the items listed below. Subtract the following costs, as applicable.

- title insurance premium
- transfer taxes
- survey fees
- inspections and repairs for termites, etc.
- recording fees
- Homeowner Association transfer fees and document preparation
- home protection plan
- natural hazard disclosure report

Closing Costs: As far as closing costs are concerned, you and your eventual buyer may agree on any arrangement that suits you, no matter what local practice dictates. Your REALTOR® will assist you in estimating what your final closing costs will be.

I would be happy to discuss all your Real Estate needs with you at any time, please call me at 613-788-2113
