

# Power Pricing (Right Price Analysis)

## The Danger of Overpricing a Home

- Home is not shown
- If shown, home is compared to others at this price, appears to be inadequate or not comparable
- Low offers/No offers come in
- Sellers may lose money the longer home stays on the market
- Home stagnates as market time increases
- Home is rejected by the market
- Ends up on the Clearance Rack

## Understanding Market Data

### **Sellers should be educated in the following:**

- The market conditions will dictate price
- Real estate is a supply/demand business
- Your competition of other homes will be greatest determining factor as to price received.
- The current number of buyers in the market place (who can afford your home vs. available inventory) will be a factor in determining ultimate selling price.

## Presenting Market Data

- Report the current trends and conditions of the marketplace.
- Interpret how those trends and conditions are affecting the property.
- Develop a strategy with the seller as to where to place the property to maximize the sellers' equity.
- Pricing based on current market absorption.

## Keep in Mind

Past sales are benchmarks as to what people were willing to pay under certain market conditions.

The seven most important aspects in comparing property are:

- |                   |             |
|-------------------|-------------|
| 1. Location       | 5. Lot Size |
| 2. Square Footage | 6. Garage   |
| 3. # of Bedrooms  | 7. Style    |
| 4. # of Baths     |             |

If these are not applicable in your area, choose pertinent criteria and keep it consistent.

## Competition

Where buyers are looking in this area:

*When they look in this area, they also look in .....*

???

This determines the competition

***Exercise:*** In the MLS, find out how many properties are currently active in these areas.

***Exercise:*** Print one line report of all properties that match your areas of criteria

***Exercise:*** Print full listing sheet of lowest price home, highest price home, price point homes, any home “down the street”, any home with high market time or multiple price reductions

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## Buyers buy from the bottom up

- Eliminate the low end—not comparable to property
  - Full listing sheet to support non-comp
- Eliminate high end—not comparable to property
  - Full listing sheet to support non-comps
- Work from the top down
  - Pick a few price points to show full listing sheets
- Full listing sheet on actual comps

*“Mr. & Mrs. Seller, we have taken a look at  
the current competition.  
Let’s decide where to position your home in this  
marketplace.”*

## Calculate absorption rate on competitive homes

- How many homes have sold in the last 12 months?
  - How many homes have sold in the last 6 months?
  - How many homes have sold in the last 3 months?
  - How many are currently on the market?
- Calculate how many homes sold per month  
(# homes sold divided by # months)
  - Show trend
  - Determine how many months it would take to sell current inventory  
(use 3 month absorption x # active listings)
  - That is the absorption rate

## *How soon do you want to sell your home?*

### **Resources for calculating and presenting:**

CB Resource Center Online Form—Front Page  
“Absorption Rate Presentation Page”

CB Resource Center—How-To-Guides  
“Absorption Rate Worksheet”

Excel File that can be saved to a file.

### **Remember the buzz words!!**

Your home is a commodity. In order for it to perform favorably in the market, it needs to be competitive.

Where shall we position your home in the market place?

I want to sell your home within your time frame and protect your equity in the home.