

What's the Best Asking Price for your Home?

Courtesy of Jeff Birchmore, REALTOR® (moreottawahomes.com)

Setting a realistic price for your home that reflects current market values will help sell your home quickly and for top dollar. When you price your home properly, you increase the chances that the offer you receive will nearly match your asking price, and that there will be competing offers—which may net you even more in the long run.

Your property has the best chance of selling within its first seven weeks on the market. And, studies indicate that the longer a property stays on the market, the less it will ultimately sell for. A property priced 10 % more than its market value is significantly less likely to sell within this window than a property priced close to its actual market value. About three-quarters of homes on the market today are 5-10 % overpriced. Sellers will usually over-price their homes by this margin if, either, they firmly believe the home is worth more than what the market indicates, or if they want to leave room for negotiation. Either way, if you choose to over-price your home by this amount, you run the risk of increasing the amount of time your home spends on the market, and decreasing the amount of money you'll ultimately receive.

At the other end of the selling spectrum are houses that are priced below a fair market value. Under-pricing often occurs when the owner is interested in a quick sell. You can bargain on these homes attracting multiple offers and ultimately selling quickly at—or above—the asking price.

The knowledge and skills of an experienced Realtor will be invaluable when determining an appropriate asking price. It is the job of your Realtor to know the current market and market trends inside and out, to be closely connected to the real estate market at large, and to be aware of other properties currently for sale in your particular area. Based on this range of connections and knowledge, your Realtor should counsel you on how to price your home properly in order to attract the highest price possible, in the shortest period of time.

Before approaching this process, you should first do some homework yourself. You'll need to know the workings of the current market before you even begin to think about setting an asking price. The market will always influence a property's value, regardless of the state of a home, or its desirability.

Here are the types of market conditions and how they may affect you:

1. Seller's Market:

A Seller's market is considered a "hot" market. This type of market is created when demand is greater than supply—that is, when the number of Buyers exceeds the number of homes on the market. As a result, these homes usually sell very quickly, and there are often multiple offers. Many homes will sell above the asking price.

2. Buyer's Market:

A Buyer's market is a slower market. This type of market occurs when supply is greater than demand, the number of homes exceeding the number of Buyers. Properties are more likely to stay on the market for a longer period of time. Fewer offers will come in, and with less frequency. Prices may even decline during this period. Buyers will have more selection and flexibility in terms of negotiating toward a lower price. Even if your initial offered price is too low, Sellers will be more likely to come back with a counter-offer.

3. Balanced Market:

In a balanced market, supply equals demand, the number of homes on the market roughly equal to the number of Buyers. When a market is balanced there aren't any concrete rules guiding whether a Buyer should make an offer at the higher end of his/her range, or the lower end. Prices will be stable, and homes will sell within a reasonable period of time. Buyers will have a decent number of homes to choose from, so Sellers may encounter some competition for offers on their home, or none at all.

Remember, a Realtor is trained to provide clients with this information about the market, helping you make the most informed decision possible. The right Realtor will guide you through the ups and downs of the market and keep you up-to-date with the types of changes you might expect.

Evaluate your house in the other main areas that affect market value:

1. Location:

The proximity of your home to amenities, such as schools, parks, public transportation, and stores will affect its status on the market. Also, the quality of neighbourhood planning, and future plans for development and zoning will influence a home's current market value, as well as the ways in which this value might change.

2. Property:

The age, size, layout, style, and quality of construction of your house will all affect the property's market value, as well as the size, shape, seclusion and landscaping of the yard.

3. Condition of the Home:

This includes the general condition of your home's main systems, such as the furnace, central air, electrical system, etc., as well as the appearance and condition of the fixtures, the floor plan of the house, and its first appearances.

4. Comparable Properties / CMA:

Ask your Realtor to prepare you a general market analysis CMA of your neighbourhood, so you can determine a range of value for your property. A market analysis will provide you with a market overview and give you a glimpse at what other similar properties have been selling for in the area.

5. Market Conditions/ Economy:

The market value of your home is additionally affected by the number of homes currently on the market, the number of people looking to buy property, current mortgage rates, and the condition of the national and local economy.

*Courtesy of Jeff Birchmore, REALTOR®
moreottawahomes.com*