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Step 6: Price Your Home

Pricing your home properly is the key to selling your house in a reasonable time frame. Of course, every seller fears pricing their home too low. Unfortunately, in response, some sellers choose an initial asking price that is high above market. Such houses are **overpriced**. Many sellers believe that they must ask a high price in order to leave room for negotiation. What generally happens is that they receive a series of extremely low offers instead of reasonable ones.

There is nothing worse than an overpriced house. No one makes a reasonable offer, and it sits in the classifieds for weeks. The home becomes what is known in the industry as a "stale listing." In some cases it occurs because the seller has demanded that the agent list the house at a certain price. In other cases the agent overprices a home without knowing better. In either case, once buyers start seeing the same ad in the paper week after week, the house becomes undesirable. Buyers wonder what is wrong with the house because it hasn't sold.

Sellers have a carrying cost for a house. They must make mortgage payments, pay taxes, and continue to maintain the house keeping it in showroom condition. A good price minimizes the carrying cost. A bad price maximizes it.

Almost in a panic, sellers radically reduce the price to move the house. In fact, in order to attract buyers, they often must reduce the house below what would have been a reasonable price had they priced it correctly at the beginning.

You are fully capable of picking the right price for your house. You will most likely price your house based upon observation of sale prices within your neighborhood. Try any of the following:

- Many states and counties now have Internet sites that provide access to sales, tax, and assessment data. These sites include data on the most recent sales price of any home in your municipality. The information is available without charge to the general public. Look up your street on such a site to see what properties have sold and their corresponding selling prices. For example, some websites for the Metropolitan Washington, DC area include

City of Alexandria: http://www.ci.alexandria.va.us/city/reasearch/rea_search_welcome.pxe

Arlington County: <http://www.co.arlington.va.us/REAssessments/Scripts/DreaDefault.asp>

Fairfax County: <http://www.co.fairfax.va.us/living/taxes/default.htm> (bottom of web page)

Loudoun County: <http://inter1.co.loudoun.va.us/cgi-bin/db2www.exe/webpds/re.d2w/INDEX>

Prince William County: <http://www.pwcgov.org/realestate/LandRover.asp>

State of Maryland: <http://www.dat.state.md.us/sdat/CICS/> (all counties)

DC: http://www.taxpayerservicecenter.com/RP_Search.jsp?search_type=Sales

- If you don't have Internet access or your municipality does not provide sales data online, you can still go to your city or county clerk's office to look up sales of homes in your





neighborhood. You'll need to know the address of the home you want to look up, so keep an eye out for pending or completed sales in your neighborhood.

- When you find a sale price, compare the actual sales price to the initial asking price. Keep in mind that the actual sales price may not tell the whole story. Seller concessions (items for which the seller pays) may not be included in the public record, yet they affect the value of the property sold. For example, a home sells for \$100,000, but the seller pays closing costs of \$6,000. The actual sales price was \$94,000, however, it is likely to be the \$100,000 figure that winds up in public records.

Also note that you'll need to make some educated adjustments for differences between your home and the ones you see being sold. For example, if you have one more bedroom than a recent sale, your house is worth a little more. If a recent sale has an enclosed and finished porch and you have an open, unfinished one, your house is worth a little less.

- If sales prices are not available but transfer taxes are, find out the transfer tax paid and the transfer tax percentage. Divide the tax by the percentage to obtain the sales price.
- Recent sales are the best gauge for determining your own probable sales price. However, you should also give some consideration to current asking prices in your neighborhood. Go to some open houses and check out asking prices. Compare other homes' age, style, condition and amenities to yours. Note the square footage if it is available. If your house isn't in as good a condition, subtract a few dollars. If it's in better shape or has more features, add a few dollars. You will start to see a range of prices that seems reasonable given the area. Look at your house from a buyer's perspective; be realistic when asking, "What would I pay for this house?"
- Check the newspaper for asking prices of homes in your area. Drive by them and visit, if possible, to compare them to yours.
- If you live in a close-knit neighborhood, you probably can find out selling prices of homes in the area just by talking with neighbors. Rumors abound; a neighbor might say house sold for a certain price when it didn't actually sell for quite that much. Objectively confirm all numbers you might hear. Compare sold houses to yours to determine whether their sale prices are useful in determining the value of your own house.
- If you FSBO, you could obtain a Comparable Sales Analysis (CMA) from a few agents to test the waters. A CMA lists sales of homes in your neighborhood that are similar (comparable) to yours. Be careful with this method; you might be expected to list with an agent if you receive such a service. Some agents will provide a CMA anyway knowing that they will get your listing in the event you change your mind and decide to work with an agent.

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