how do real estate pros price a listing?

A very accurate saying is that "Any home will sell once you get the price right." Of course, this is usually said from the perspective of dropping a price until it's too attractive to pass up. Actually, the accurate pricing of your home prior to listing is as much an art as it is a science

The Science:

Computers have helped a lot in the data and science aspects of pricing homes for sale. The real estate professional looks at many data sets in the process, including:

- **Records of recent sales in the neighborhood or area.**
- **Currently listed comparable homes.**
- **Historical trends in price appreciation.**
- **Feature comparisons for mechanical value adjustments for differences.**

Most of these items are a gathering of numbers, thus our placement of the-munder the Science aspect of pricing or valuation. A real estate professional has systems in place, some through the Multiple Listing Service, to gather appropriate information and data for the valuation process.

The selection of appropriate comparable properties for our valuation is mostly science. We try to stay close in distance to the home to be listed. The same subdivision or neighborhood is best. The saying that real estate is all about "location, location, location" is why we want to stay as close as possible to the home to be listed when gathering our comparables. This is also good practice for another reason, as the buyer's lender will hire an appraiser who will be doing the same thing.

Hopefully, we have a sufficient number of comparables without having to stray too far out of our area of choice. What are good comparables? The closer we can stay to the characteristics of the home to be listed the better. We consider things like:

- **Construction styling and architecture.**
- **Home age.**
- **Number of bedrooms, baths, garage spaces**.
- **Size in square footage should not be too different.**

Taking the items above into consideration, and staying inside of our desired area, we hope to find from three to ten comparable properties. If there are more, that's great, as we can narrow our selection by the criteria even more. Taking the final list, we are now ready to do our adjustments for feature differences.

Unless we were lucky enough to find several identical properties, we now must adjust values for the feature differences. In this process, we adjust the selling prices of our sold comparable properties by the estimated value of features that are different from our home to list.

Example: Our home to list has three bedrooms. One of our comparables is very similar, but has four bedrooms. We would subtract our estimate of the value of a bedroom from the sold price of the comparable to make it a more accurate comparison to the home we're listing. We do this for all the major feature differences between each comparable and our subject property.

If there are lot size differences, we do the same type of adjustment math for the difference in acreage. The purpose of this portion of our valuation

procedure is to get all the homes on the list adjusted to sold prices that reflect homes with the same bedrooms, baths, garages, and other major features.

Another phase of the process that bridges the gap between Science and Art is our analysis of the market of currently listed comparable homes. The science is in the gathering of the listing data, and the adjustment of the numbers to get our comparables as closely aligned as possible. Now, let's move to some more subjective valuation

factors.

The Art:

We've gathered a lot of data, and we've crunched a lot of numbers. Our sold comparables prices have been adjusted to make them more similar to our subject home. We've also done the same type of adjusting for the homes currently listed that would be considered competition.

Why do we do the current listings? Sold comparables reflect past history. Even though we've taken the most recent sales, they're still events in the past. There was an existing competitive market at the time of those sales that may not be similar to the current market's properties.

The motivations of the buyers of those previously sold homes may not have been the same in the current competitive market. An experienced sales person will look at the current market competition, and make adjustments to the valuations suggested by the Science portion of our procedure. If there is less comparable inventory now than when previous properties sold, then we may

want to take our valuation up a bit. If there is more inventory, we might want to go the other way.

That's not the only Art to the process. An extensive knowledge and experience of real estate sales representative in a market will contribute to their ability to tweak the listing price for the best results. Knowing the Seller's motivations and time frame are a contributing variable. Knowledge of area seasonal buying trends, as well as development patterns are also part of the Art facet in our valuation process.

Rarely is anything of value also easy. This is an example. Taking the Science and the Art of real estate valuation into account, the real estate professional advises the listing client in order to arrive at the best listing price to sell the property in their desired time frame and for the best possible net price.

Though many believe the Internet has made this process easier, that's really not the case. It has released a great deal of information and pricing data to public scrutiny. However, just because data is published, it does not mean that it is accurate. There is also the diversity of sources for valuation data. Where you get it can change the results.

More than ever before, extensive knowledge and experience in a market is of great value. There is more data from more sources out there. The trick is to gather the best data, crunch the numbers with Science, and interpret them with the Art that comes from experience.