

Pricing Your Home For Sale **February 3, 2013**

Dear Dave: Do you have any tips on how to price your home for sale? We are planning to go on the market in March and have 2 quite different Realtor estimates of the value.

Answer: Pricing your home for the market is a delicate business. Price too high and in the long run you lose, because market time makes buyers more cautious in bidding. Price too low and you are giving away money. So, how to price your home just right?

Most Real Estate Licensees are happy to provide you with a Comparative Market Analysis. However, the problem with this is that most CMA's are a computer – driven report based on recent sales, that leaves no room for finesse or personal judgment. Since it is easy to use the Flex/MLS online program to produce a colorful and attractive report, many Realtors go this easy route.

The computer generated program is rather like a recipe. You can follow the recipe line by line, but some people still cannot cook. My mother was a wonderful cook but hardly ever opened the recipe book. This is because producing a sumptuous baking delicacy or meal is as much about intuition and judgment as it is about ingredients and portions. Just ask Chef Al!

Real estate valuation is similar. Clients of mine often ask whether the Municipal Assessment is the price at which they should go on the market. The answer is – “No”. Despite the MOA's best efforts to fairly evaluate properties, they firstly have no access to precise sales data in a State where every Deed is recorded at “Ten dollars plus other valuable consideration” and, secondly, they do not have enough employees to perform valuations, plus they never see inside your home.

So, the dilemma – at what price should you go on the market? The comparison of recent sales (last 90 days) in your neighborhood is certainly a foundation for making the decision, but it is not the walls and roof.

Price per square foot of homes sold in your neighborhood is also interesting, but can utterly lead you down the wrong trail to your own fiscal cliff. Price per square foot is one of the worst formulae for determining the value of a piece of real estate.

What one should do in pricing a home is to take a peek at all the above but then add the Competitive Market Analysis – i.e. “Competitive” not “Comparative”. As with any product, be it a home, motor vehicle or prize bull, it is worth in the market place what a buyer will pay.

It seems critical to me, particularly in late winter with low inventory on the market, that those wishing to sell their real estate should examine carefully what choices are out there for a buyer who is shopping at the time.

In other words, if there are only 2 other properties for sale in your locality with more than 2000 square feet, a double garage, and under \$350,000 this gives you an excellent selling opportunity.

The recent sales may suggest your home is worth \$320,000 but, guess what, you may well find a buyer willing to pay \$340,000 if there are only 3 to choose from.

To summarize, formulae for determining the price point cannot compensate for finesse. Choose a real estate licensee who understands this. Your home is absolutely unique. No 2 pieces of real estate can be called “Comparable”. Even the color of the siding can alter perceived value, let alone location, ambience, neighbors and a multitude of individual factors that may “turn on” the right buyer.

Wrestle with your Realtor over the right price to go on the market. Too high, and a long market time will hurt your bottom line at the end. Too low, and you have already left money on the table. The best Company Board Meetings I ever sat on were those alive with argument. Don’t be afraid of a polemical journey with your real estate counselor.

Dear Dave: We are putting our four-plex investment property on the market and asked our Realtor if we had to fill out a Property Disclosure. He wasn’t sure, and suggested that we ask you – so here we are. Do we, or don’t we?

Answer: No, you don’t have to fill out a property disclosure though, if you have good knowledge of the property, it would be prudent to fill one out.

The Statute governing disclosures (AS34.70) covers ‘Residential Real Property’, and that residential real property is defined as “any single family dwelling, or two single family dwellings under one roof, or any individual unit in a multi-unit structure or common interest ownership community whose primary purpose is to provide housing. Translation:- The Disclosure Statement is required for single family homes, duplexes and condos.

New construction is exempted, and buyer and seller can agree to waive the whole thing anyway, but the purpose of the Statute is to make sellers be more responsible when they know things about the property but would prefer to conveniently forget about them. If I am listing a four-plex for sale, and the owner is personally involved with the management of the property, I ask the owner to complete a disclosure form as a courtesy to any interested buyer.

Completion of the form simply becomes impractical if the owner does not manage the four-plex, or if he resides out-of-state and hasn’t seen it for many years. Sellers are still liable for deliberate non-disclosure of defects in a property even if it is a 20 unit apartment complex. The writers of the Statute simply felt it should create a mandatory disclosure form for basic residential properties where the seller obviously was acquainted with the home, even if it was a rental.