

Here Are Some Common Pricing Mistakes Sellers & Listing Agents Make

By **JIM SMITH, Realtor®**

Why is it that some homes sell quickly with multiple offers — and therefore above full price — while other listings languish on the MLS for weeks or months with no offers? The answer almost always is found in how the listings were priced.

Here are some common mistakes that sellers and their listing agents make when pricing their home for sale.

Mistake #1: Basing the Listing Price on the Active (Unsold) Listings Instead of the Sold Listings. Any home that is active on the MLS more a week is likely overpriced. You've got a choice. Price it based on unsold listings, and your house can languish on the market just like them. Or price it based on the sold listings, and let those overpriced, unsold homes help your home sell more quickly and with multiple offers. You want those homes to help sell yours, not the other way around!

Mistake #2: Basing the Listing Price on What the Seller Needs or Wants to Net From the Sale. In this scenario, the seller is telling his listing agent how much he needs to net from the sale of his home — and the agent is not pointing out that the market doesn't care, and that the seller is dooming his home to sit on the market for a long time, ultimately selling for much less than it might.

Mistake #3: Basing the Listing Price on the Value of Improvements You've Made. Again, the market doesn't care what you've spent on the house. That \$50,000 kitchen is great, and I know you must have gotten a lot of pleasure from using it, but it doesn't mean you'll get \$50,000 more for your house than if you hadn't made that improvement. If there were competing listings out there — which is rare right now — the new kitchen might help your home sell first, but probably not for a whole lot more money. In this light, I discourage sellers from making improvements prior to putting their home on the market. You won't get back what you spent, so why do it?

Mistake #4: Expecting to get a lot premium for your home because you paid a lot premium to the builder. Builders charge lot premiums for size, view, location, etc., but that premium is history now. Yes, you have a nice view and maybe you paid a big premium for that lot, but this doesn't mean that your house can now sell for that much more than the same house built a block away without the lot premium.

Mistake #5: Pricing your home based on Zillow's "Zestimate" or some other computer-generated valuation. Zestimates are fun to look at, but they are rarely accurate. Such valuations don't come close to a broker-generated Comparative Market Analysis ("CMA") using appropriate comps from your own subdivision when possible.

How I Price a Home: I do use two computer-generated valuation systems as a starting point. They are the Realtor Property Resource or "RPR" system and the Realist system that is built into our MLS internet platform. I do not use Zillow. I run valuations on each of these systems, making note of the "confidence index" for each and how close the two valuations are to each other. If they are within, say, 5% of each other, it gives me a good start at pricing the house, recognizing, of course, that the software has little knowledge of the interior finishes and whether it's a seller's vs. a buyer's market in that location.

Next I Google the address of the subject property to see if there's a defined subdivision in which I can

search for comparable sales. Then I use another software package, Virtual Office, to run a map search of that area for sales of similar style homes (ranch vs. 2-story, etc.) over the last 12 months. I create a spreadsheet of those listings and run a "sold price analysis" which tells me the average price per square foot and other metrics. I look at the recommended price from RPR and Realist and see if the price per square foot is in line with the average PSF from Virtual Office.

I then recommend to my Seller that we market the home at the resulting valuation and no higher, even though it's a rising market. That way we have a better chance of attracting the multiple offers which are essential to making their home sell for more.

The Results of Right-Pricing a Home

Below are the Golden Real Estate listings which sold since June 2015 above full price thanks to multiple offers created by pricing the home properly. Notice the low Days on Market ("DOM") for most of them. Not shown here are nine listings that are currently under contract, all of them in 5 days or less, above listing price thanks to multiple offers. Also not shown are six listings which sold for full price, mostly without multiple offers.

Address	Listed at	Sold at	Differential	DOM
305 N. Columbine St, Golden	\$415,000	\$452,000	109%	6
3798 S. Elati St., Englewood	\$385,000	\$415,000	108%	6
8130 W. 64th Ave., Arvada	\$289,000	\$305,000	106%	4
16359 W. 10th Ave. #02, Golden	\$125,000	\$130,000	104%	2
7814 Vance Dr., Arvada	\$275,000	\$315,000	115%	4
107 Stone Cliff Cir., Gilpin County	\$275,000	\$289,000	105%	59
10125 W. 25th Ave. #41, Lakewood	\$145,000	\$147,000	101%	10
11081 W. Oregon Pl., Lakewood	\$335,000	\$350,000	105%	5
14340 W. 5th Ave., Golden	\$375,000	\$380,000	101%	6
6688 Otis Ct., Arvada	\$298,500	\$304,000	102%	4
8845 W. 81st Dr., Arvada	\$349,500	\$375,000	107%	3
479 Somerset Dr., Golden	\$450,000	\$453,000	101%	5
16359 W. 10th Ave. #R4, Golden	\$ 90,000	\$110,000	119%	9
1275 Clarkson St. #16G, Denver	\$189,000	\$189,900	101%	7
34618 Lyttle Dowdle Dr., Golden	\$429,000	\$432,000	101%	5
871 Beech St., Golden	\$429,000	\$433,000	101%	4
688 Ridgeside Dr., Golden	\$330,000	\$342,000	104%	5
229 Cherokee St., Denver	\$268,500	\$292,500	109%	5
16259 W. 10th Ave. #E4, Golden	\$ 94,000	\$102,000	109%	4
8860 W. 13th Ave., Lakewood	\$385,000	\$400,000	104%	2
4061 Miller Way, Wheat Ridge	\$380,000	\$403,000	106%	3
4229 S. Coors Ct., Morrison	\$359,000	\$369,000	103%	4
7405 Turkey Rock Rd., Littleton	\$279,000	\$319,000	114%	5



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Jim Smith

Broker/Owner

Golden Real Estate, Inc.

DIRECT: 303-525-1851

EMAIL: Jim@GoldenRealEstate.com

17695 South Golden Road, Golden 80401

WEBSITE: www.GoldenRealEstate.com



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