

# Pricing Your Home <sup>for</sup> **MAXIMUM VALUE** The Definitive Guide

• A PROVEN  
PRICING  
STRATEGY

• THAT WORKS IN  
TODAY'S REAL ESTATE  
MARKET

• INSIDER  
SECRETS

• REVEALED

• WHAT AGENTS

• WON'T TELL YOU

• BUT YOU MUST KNOW

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# HOW DO YOU SELL YOUR HOME FOR MORE MONEY?

**D**id you know that when it comes to selling one of your largest investments, the Realtor you choose could literally make or break the deal? There are many factors involved in selling a home, but it really boils down to four things: aggressive marketing, a sound pricing strategy, knowing the numerous options that are available to you, and finally, having an agent who is fully invested in your best interests. If you or someone you know is thinking about selling their home, I encourage you to at least give my Team and I a chance to tell you about our system for getting your home SOLD. I will go over all of those elements in great detail to show you how we can make you more money, in the least amount of time and with the least amount of hassle to you.

*Promises don't sell homes... PROCESSES DO!  
My team and I have proven processes and systems to help us be more effective at getting your home sold. I have worked with buyers and sellers advising them on their best options to benefit the most from their real estate transaction.*

*I feel it is my responsibility to guide you with the most knowledge of the market while finding a solution that works best for you and your family. If you or someone you know is looking to buy or sell real estate, keep in mind Keller Williams Realty.*

*- Dianna Howell*

To find out we can get your home SOLD,  
give our office a call or visit us online

**205-568-5435**

## Steps of the Listing Process

- 1 Preparation and research
- 2 Establish motivation and objectives
- 3 Examine the marketing plan
- 4 Select a real estate agent
- 5 Establish asking price

**What are the necessary steps in the process of properly listing and selling your home?**

Through proper preparation, research and expert consultation, we are able to best serve you throughout the listing process.

We know that step five is the one you're most curious about, but it's important that you make your agent selection based on marketing, not a promise of the highest price.

**Which criteria should you use to select an agent: best services and marketing plan or highest listing price?**

We provide our seller clients with an exceptional level of service and implement the most comprehensive marketing plan available for selling your home. Again, your mission should be to select the best agent, not the highest price.

If you choose Keller Williams Realty, it should be because you feel we are the best option to handle the marketing of your home, not because we agreed to the highest price.

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### How will you select a real estate agent?

**Best Services & Marketing Plan**

~~**Highest Listing Price**~~

**An agent doesn't control the market.  
Never select an agent based on price.**

## Role of an Agent in Pricing

- ➔ There is no “exact price” for real estate.
- ➔ What I think your home is “worth” doesn’t matter.
- ➔ The market determines value.
- ➔ Together we determine the price.
- ➔ I will show you a range of prices being paid for homes in your area.

An agent’s primary role is correctly marketing your home, not pricing it.

All too often homeowners believe an agent’s primary role is to determine the value of their home. In reality, agents must develop a pricing strategy based on market data and the factors the homeowner controls.

There is no exact price for real estate. The market determines value.

Ultimately the burden of pricing is on you, the home owner.

Asking price based upon the range of prices being paid for homes in your area.



### What would you do if I quoted the highest list price but you didn't think I was the best agent?

This is a home owner’s most common mistake.

If you say you’d go with the highest price, you could end up overpricing your home by the greatest amount with an agent whom you believe to be the least competent to attain it.

Would you list with an agent who promised you perfect weather during the listing period? Why not? Because an agent cannot control the weather. We have as much control over the value of your home as we do the weather.

“Another agent will list it higher.”

### Avoid this Common Mistake



## Who Controls What?

<u>Factor</u>		<u>Control</u>
Location	➔	Given
Financing	➔	Given
Marketing	➔	Agent
Condition	➔	Owner
Price	➔	Owner

### The five elements of marketing a home

Location and Financing are givens... no one controls them.

Condition and Price are in your control... and it's the market that determines if you can get your price.

Marketing is the only factor an agent controls. So it's important that you make your listing decision based upon the marketing plan, then set the price based upon the market.

### What about all of the unsold inventory?

In the current market environment, the increase of unsold inventory has been dramatic. However, there is a very important statistic to consider...actual home sales!

While inventory has increased by 100% or more, sales have reduced by a more modest amount. Two facts: 1) homes are still selling, and 2) the ones that aren't selling are overpriced.

On the adjacent chart, where the Sales line intersects the Inventory column, it divides sellers into two groups; those who want to Stay and those who want to Sell.

Which group do you want to be in?



## Inventory Exceeds Sales



**When inventory exceeds sales, you must price at market value in order to SELL.**

## Principles of Evaluation

- ➔ **Cost**  
The amount paid
- ➔ **Price**  
The amount asked
- ➔ **Value**  
Worth to someone
- ➔ **Market Value**  
Appeals to many buyers and causes a sale within a reasonable time

### The relationship between cost and value.

Cost is the amount you paid, plus any improvements. Price is what you ask, the amount you attempt. Value is what it's worth to ONE person, someone who needs that exact property.

The problem is, that person knows he only has to pay Market Value. And Market Value is the amount that appeals to many buyers and will cause a sale within a reasonable time. The key point is; Cost and Market Value are not related.

Even if you paid more for your home, you would still want Market Value because it doesn't matter what was paid for a home.

### Which criteria determines a home's true value?

Owners often place major value on minor things — proclaiming their home to be better in terms of condition, amenities or decorating. You need to understand what really determines value.

Location and Size account for the majority of value, while Amenities, etc. contribute much less.

Whenever you see a new listing on the market, what's the first thing you ask an agent? WHERE is it? That's because location is the most important element.

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## Criteria That Determine Value



**Location and Size account for the majority of value. Amenities contribute less.**



## Opinions of Value



**Isn't what I think about the value of my home just as important?**

Everyone seems to have an opinion of value and a willingness to express it.

Buyers believe the value to be lower and sellers believe it to be higher.

Appraisers and agents are more objective and see the middle ground of Market Value.

The market is the only opinion that counts. The market may not be kind... but it is never wrong.

### What about the appraisal?

The only time a previous appraisal presents a problem is when it's higher than what the current market will bear. It is important to challenge the appraisal, not the appraiser.

Three factors determine the validity of an appraisal:

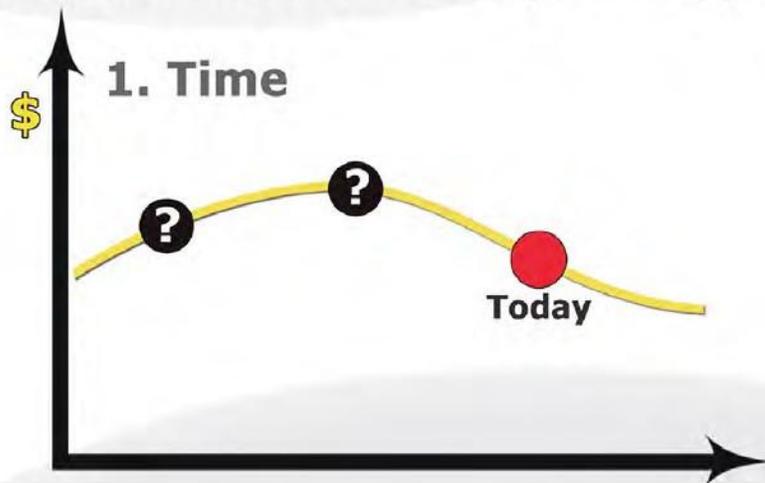
- 1) Time – how long ago was the appraisal done.
- 2) Purpose – why it was done.
- 3) Comps – to what was the home compared. Each is addressed on pages 8-9.

The market changes over time, so for an appraisal to be valid, it must have been completed recently.

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**"We've had it appraised higher."**

**Three factors affect the validity of an appraisal:**



**“We’ve had it appraised higher.”**

**Three factors affect the validity of an appraisal:**

## 2. Purpose



### Why is your home being appraised?

Any appraiser will tell you that the purpose of an appraisal influences the appraiser’s final amount.

A mortgage refinance or insurance appraisal would normally be higher while a tax assessment is quite often lower.

As a home owner, if you are going to rely on an independent appraisal, you must request an updated market value appraisal to reflect your home’s current value.

### Is it time for a new appraisal?

As we’ve established, Location, Size and Amenities are the three key factors of value. These factors must be compared in an “apples to apples” way to get an accurate measure of value for your property.

You should examine comparable properties used by the appraiser and make sure there aren’t any out-of-area selections, non-matching homes or other anomalies.

If Time, Purpose and Comps all check out, then the appraisal may help you properly price your property, otherwise it’s time for a more current and accurate appraisal.

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**“We’ve had it appraised higher.”**

**Three factors affect the validity of an appraisal:**

## 3. Comps



**Did the comparable properties have similar location, size, condition and amenities?**

## Value of Improvements

- ➡ **When were the improvements made?**
- ➡ **At that time were you planning to sell or stay?**
- ➡ **If you had known then that you were going to sell today, would you still have made the improvements?**
- ➡ **If the improvements were removed, what percent of today's buyers would put them back and pay what you did?**

### What about all the money we've put into the home?

In reality, it's rarely possible to recover all the value from an improvement.

Consider the questions on the left. The final question determines how many buyers would attach the same value to an improvement that you as the owner would.

In most cases, very few buyers value your improvements as you do.

### Shouldn't I expect to get out of the property the cost of what I put in it?

A builder sold the home on the right which included a \$20,000 well, for \$400,000. A similar home was built next door, but the well went through harder rock and to a deeper water table, so it cost \$40,000. How much is this home worth?" \$400,000. Even though the builder has an additional \$20,000 in the cost of building it.

According to the principle of substitution, value is determined not by what a seller puts IN a home, but by what a buyer gets OUT of the home — in both cases they get water.

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**"I need to get my costs out of it."**

### Principle of Substitution

**Value: \$400,000**

**Value: \$???,???**



**Value is determined not by what an owner has IN a property...but what a purchaser gets OUT of it.**

**“Our house is better.”**

**Regression**



**Value of a larger home is reduced by the influence of the smaller surrounding homes.**

**Progression**



**Value of a smaller home is increased by the influence of larger surrounding homes.**

**How does the property in your neighborhood affect the price your home?**

Sometimes owners will brag that their home is the “biggest on the block” as a way of puffing value.

Actually, when a property is oversized for the neighborhood, it often experiences the adverse effects of regression — the value is reduced through the influence of less expensive homes.

In contrast, progression demonstrates that value can be increased by the more expensive surrounding

**What about internal influences on home value?**

The classic determinants of value are the intrinsic characteristics of location, size and amenities. The cliché “the three most important factors of value are location, location, location” has basis in fact.

Again, many sellers cite their home’s amenities and conditions as a reason to overprice. Refer to the pyramid on page 6 to put in context the external influences on the next page.



**Internal Influences on Value**



- Location**
- Size**
- Amenities**
- Condition**

## External Influences on Value



**Interest rates**  
**New listing**  
**Area competition**  
**Local economy**  
**Builder offerings**  
**Neighbor's price**

### What external factors affect the value of a home?

A common mistake that many owners make is to focus solely on their home when determining value. Yet in dynamic markets, many influencing factors are completely out of their control.

We've witnessed recent dramatic market change in which the economy, interest rates and financial markets have negatively affected values.

The simple act of a neighbor reducing a price can lower the value of a home and lure buyers away from existing homes and lower their value.

### What is a buyer's market?

As simple as these terms are, they can be confusing to explain.

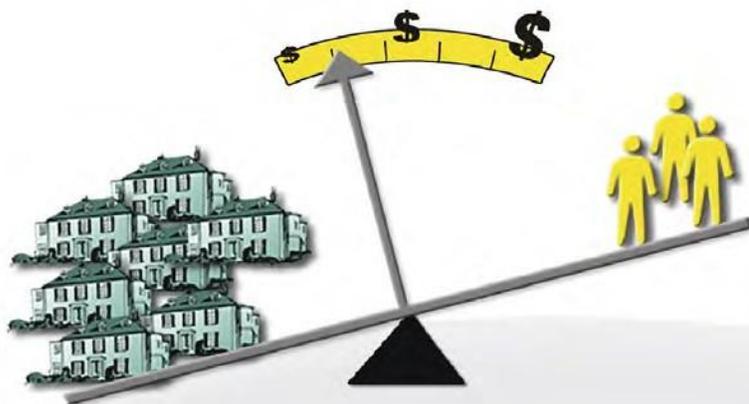
The law of supply and demand is like the law of gravity... it works whether you like it or not.

See the diagram to the right. When there are more sellers (supply) than buyers (demand), the scale will tip to the left – falling prices.

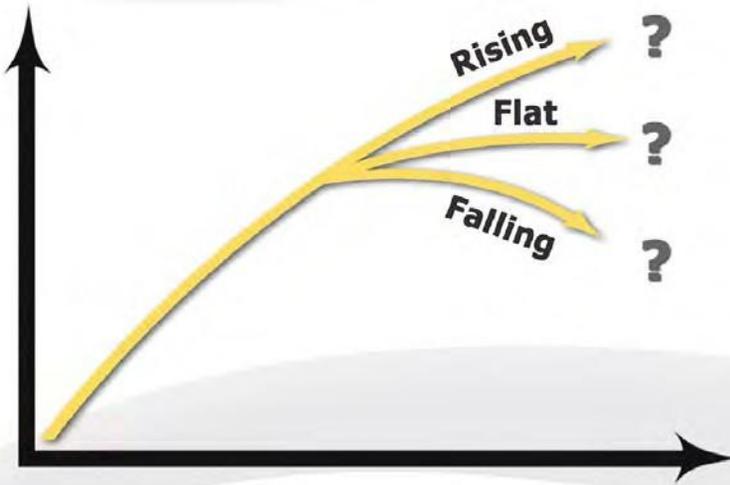
Thus, if you are a buyer in this type of market you can always expect to get more for your money.

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## Buyer's Market



## What is the Market Trend?



### What is the market trend?

Use this chart to help visualize your perception of whether the current market trend is rising, flat or falling.

What does the current market data indicate?

Once you have determined the current market trend, you are ready to move to the next chart.

### Pricing strategies for a changing market

In the previous chart you determined the direction of the current market. Now it's time to consider the different strategies for each situation.

In a rising market, you can overprice and the market will catch up.

In a declining market, even a market price may be too high as prices drop.

In a flat market, a high asking price won't be 'saved' by the market either.

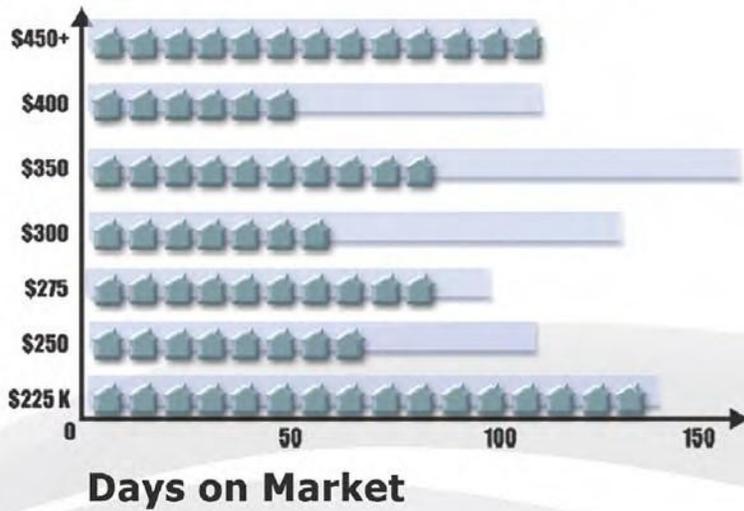
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## Pricing for Changing Markets



## Competition by Price Range

### Competing Homes for Sale



### How competition differs by price brackets

By raising the asking price, the seller could face more competition and/or a longer time on the market. It is a double-edged sword, however because a seller might conclude that raising a price to a less competitive bracket will bring more money.

The 'check-and-balance' to this is the property's internal characteristics: location, size and amenities.

For this chart to have real effect, count the houses and Market for your own area and chart them out.

### How can I determine the best listing price?

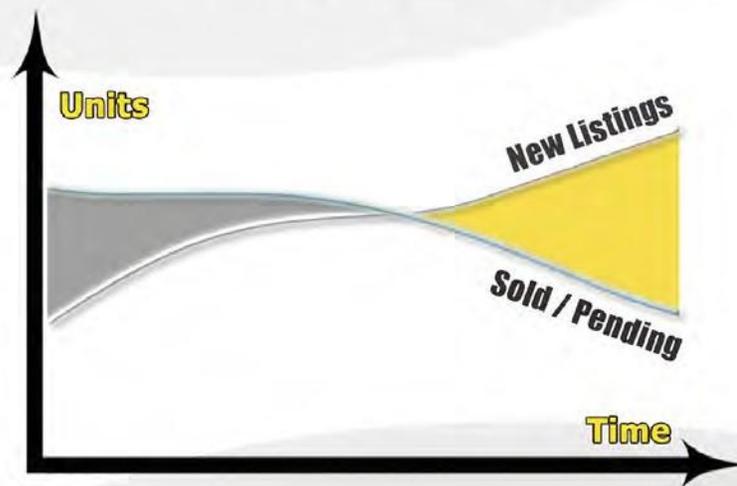
In a strong seller's market, the number of sold/pending homes exceed the number of new listings on the market.

This is the grey zone for sellers and a time to price near the top of the market.

When the market reverses, new listings exceed sales creating a yellow zone for sellers: time to price competitively.



## Listings vs. Solds



**New Listings exceed Sold/Pendings = overpricing danger zone.**

## Absorption Rate

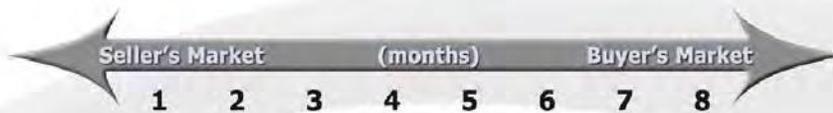
The rate at which homes will sell within a defined market segment.

$$\boxed{\phantom{000}} \div \boxed{\phantom{000}} = \boxed{\phantom{000}}$$

**X Months Sales** ÷ **X Months** = **Monthly Sales**

$$\boxed{\phantom{000}} \div \boxed{\phantom{000}} = \boxed{\phantom{000}}$$

**Current Inventory** ÷ **Monthly Sales** = **Months of Inventory**



Homes priced closer to Market Value will sell first.

### Understanding the impact of absorption rate

Absorption Rate is a more advanced concept that can demonstrate the dynamics of market competition. In its simplest form, absorption rate says that even though a home may be “worth” more, there may not be enough buyers to buy it.

If the market is absorbing inventory slowly, then an owner must price lower to produce a sale.

Sellers can price higher in a higher absorption rate market, but must price lower in a lower absorption rate market.

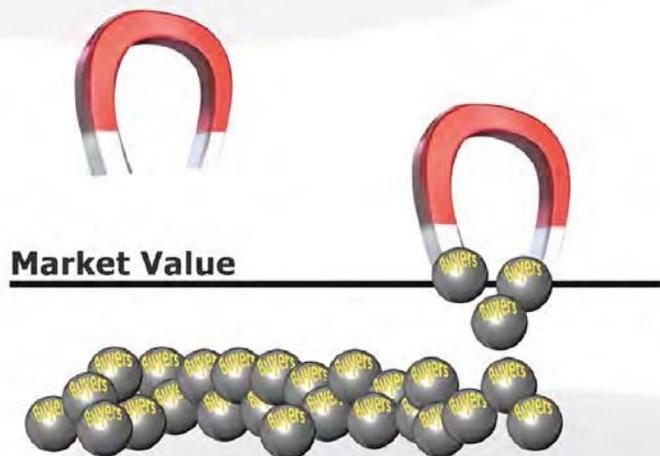
### How can the correct price attract buyers?

Think of it in terms of this simple illustration. When the magnet (price) is too high, it doesn't attract buyers (steel balls). As the magnet moves closer to market value, it attracts buyers in that price range.

As you move your price closer to market, it will reach the point at which it attracts buyers and produces a sale.



## Your Price is Like a Magnet



**A price closer to market value attracts more buyers.**

## Codependent Pricing

### Overpricing Your Home in Anticipation of a Low Offer



**You harm your own marketing efforts by appealing to the wrong buyers.**

### Codependent pricing

Codependency is a behavior in which a party engaging in dysfunctional behavior stays the same while the codependent “enabler” changes their behavior to compensate. In this case, the buyers are the dysfunctional party making low offers, but the seller overprices to compensate. Sellers say: “But I know the buyers will offer low so I’m just going to raise the price so we end up at market value.”

By doing this, sellers end up with an overpriced home that doesn’t sell, while buyers continue on with their lives. Price properly and you’ll get the buyers to change their behavior.

### How do buyers react to homes that are overpriced?

You don’t want to become a ‘Pinball Listing’. In a pinball game the ball bounces off bumpers (overpriced homes) to scoring positions (properly priced homes).

Buyers ‘bounce’ off an overpriced listing into properly priced homes instead.

If your home is overpriced, it makes the others look better and may help the competing homes sell first.

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### Pinball Listing



**Buyers will “bounce off” an overpriced home making other homes appear more attractive.**

“They can always make an offer.”



The right buyers won't see your home.

**Buyers search for homes by price range**

The only way a qualified buyer can make an offer on your home is if they see it.

The problem is, most buyers look up to their price range, peek a bit over, then return to their own range.

By overpricing, you put your home into a bracket they won't see, so your home becomes invisible to the right buyers.

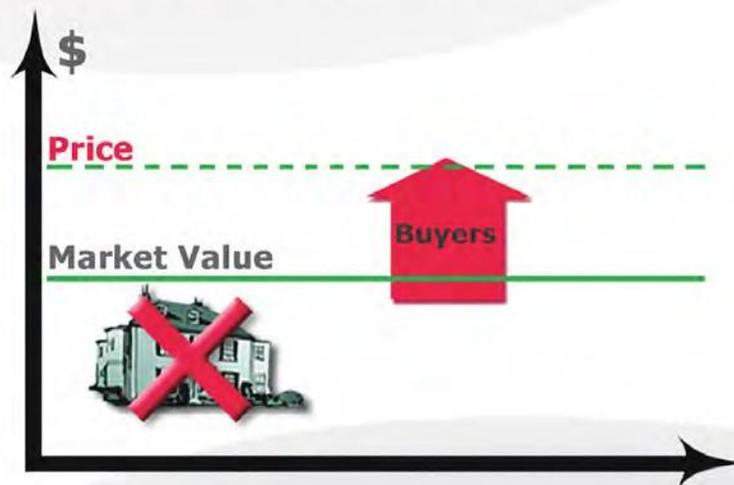
**What about the buyers who DO come to see my home at the higher price? Won't they make an offer?**

It's true that at whatever price you ask, we will attract buyers to your home. The problem is, at the higher price, we attract the wrong ones, those with higher budgets and higher expectations.

The buyers who do see your home can afford it, they may not want it. The wrong price attracts the wrong buyers for your home.

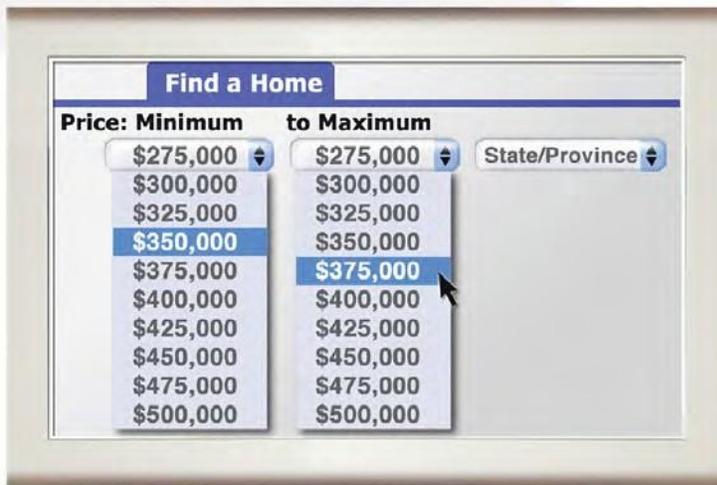
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“They can always make an offer.”



The wrong buyers won't want your home.

## Buyer Website Search



**If your home is priced just \$1 higher than a buyer's search parameters, you'll be excluded from their home search.**

**How MLS computer database searches are done by price range**

Agents don't determine what buyers buy, but what buyers SEE. If your home is priced even \$1 higher than those in the search, you won't make the show list.

### The history of an overpriced home

A home that started out priced over market value didn't sell, so they reduced the price. It still didn't sell and they reduced it again. Finally they reduced it to market value. What do you think happened? It stayed on the market.

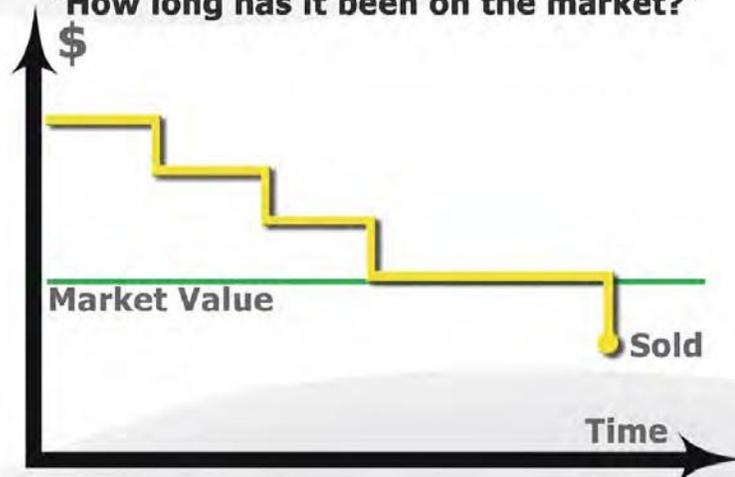
Why? Because if a home has been on the market a long time you can buy it for under market or something is wrong with it. That's what happened to this home. It sold well below market.

What if it had been priced right in the first place? Is this the way you want your home marketed?

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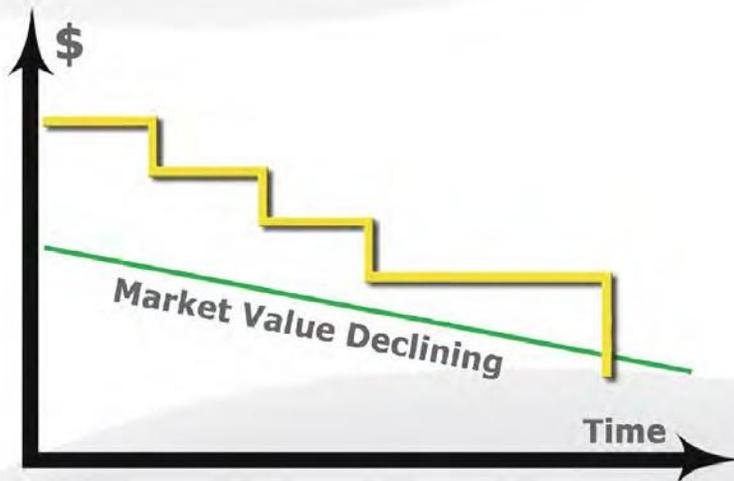
**"We can always come down."**

**One of the first questions a buyer asks is: "How long has it been on the market?"**



**Successive price reductions reduce buyer confidence in your home.**

**“We can always come down.”**



**In a declining market, your successive price reductions may not reach the market.**

**What about a pricing in a declining market?**

In a falling market, successive price reductions may never catch the market. If you list your home above market value hoping that buyers show interest, you will miss the opportunity to catch buyers' attention if the property were priced right from the start.

When you finally decide to make a price reduction, the reduction may not catch the market for the property as the price decreased from when you first listed the home.

There is no worse situation to be in than chasing a falling market.

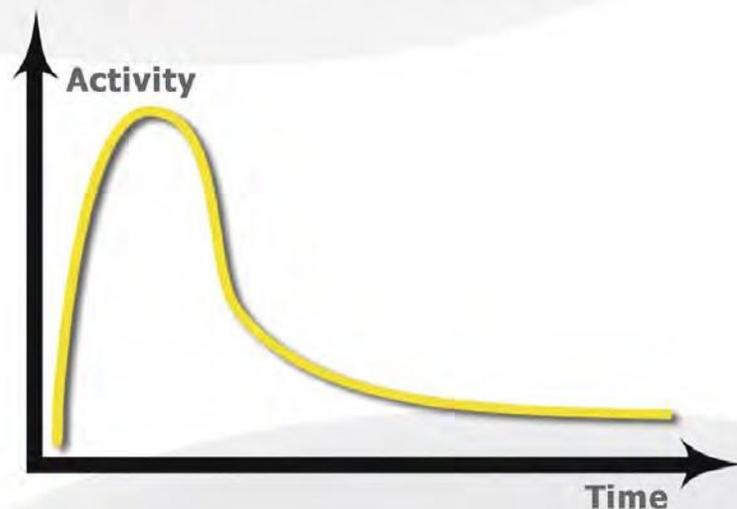
**Why not try a higher price for a couple of weeks?**

If you knowingly chose to overprice your home, you would be overpriced during the period of highest potential for buyer activity. You would then lower the price after buyers have already seen your home and decided not to preview it.

Price it right during the initial phase of exposure in order to capture the best buyers.

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**“Could we try it for two weeks?”**



**Don't overprice your home during the period of highest activity, only to lower the price after the buyers are gone.**

## Property Showing Record

Address:		
Date:	Time:	Company/Agent:
May 7	10:00	John Smith/ABCD Realty
May 8	11:00	Mary Jones/Your Neighborhood Realty
May 9	12:15	Steve Johnson/XYZ Real Estate Company
May 11	9:30	Carl Thompson/ABCD Realty
May 12	10:00	Brenda Lewis/Lewis Realty, Inc.
May 14	10:30	John Smith/ABCD Realty
May 15	2:00	David Jansen/Local Company
May 16	4:30	Steve Johnson/XYZ Real Estate Company
May 18	3:15	Steve Johnson/XYZ Real Estate Company
May 20	10:30	John Smith/ABCD Realty
June 5	11:00	Tracy Thompson/Lewis Realty, Inc.
June 7	1:15	John Smith/ABCD Realty
June 9	1:30	Brenda Lewis/Lewis Realty, Inc.
June 11	2:00	Sharon Alexander/Sharon Alexander Realtors
June 16	5:30	Brenda Lewis/Lewis Realty
June 21	3:30	Mary Jones/Your Neighborhood Realty
June 24	10:00	Steve Johnson/XYZ Real Estate Company
July 5	11:15	Tracy Thompson/Lewis Realty, Inc.
July 9	11:30	David Jansen/Local Company Realty
July 13	11:00	Kelly Simpson/ABCD Realty
July 14	1:15	Tracy Thompson/Lewis Realty, Inc.
July 26	12:00	Steve Johnson/XYZ Real Estate Company
Aug 7	9:00	Mary Jones/Your Neighborhood Realty
Aug 12	4:30	Kelly Simpson/ABCD Realty
Aug 23	3:00	Sharon Alexander/Sharon Alexander Realtors
Aug 30	2:45	Brenda Lewis/Lewis Realty, Inc.
Sept 1	3:15	John Smith/ABCD Realty
Sept 10	11:30	Sharon Alexander/Sharon Alexander Realtors
	11:45	Steve Johnson/XYZ Real Estate Company

The majority of showings occur in the first few weeks of marketing. It is important to have your home priced right during this period.

### What does the property showing record indicate?

A property showing record is another way to demonstrate higher showing activity in the early weeks and tapering off in later weeks.

### The benefits of pricing your house to sell

Remember your last move? How long was your home on the market? What was it like to keep your home ready for showings all the time?

Did you know that up to 60% of sales are generated by co-operating agents? Overpricing will deter them showing it to their prospects. Proper pricing increases the response we get from the internet.

When a home is priced right, buyers get excited and make higher offers.

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### Advantages of Proper Pricing

- Faster sale**
- Less inconvenience**
- Increased salesperson response**
- More internet response**
- Better sign and ad response**
- Avoids being "shopworn"**
- Attracts higher offers**
- Means **MORE** money to sellers**

## The First Offers are the Best Offers



The first offers are usually the highest

Historical market data always confirms that the longer a home is on the market, the lower the final sale price will be.

### Price it right the first time

This chart illustrates the negative triple impact of lowering the price after the buyers are gone; then suffering from market age and receiving lower offers.

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## Price Right...Now



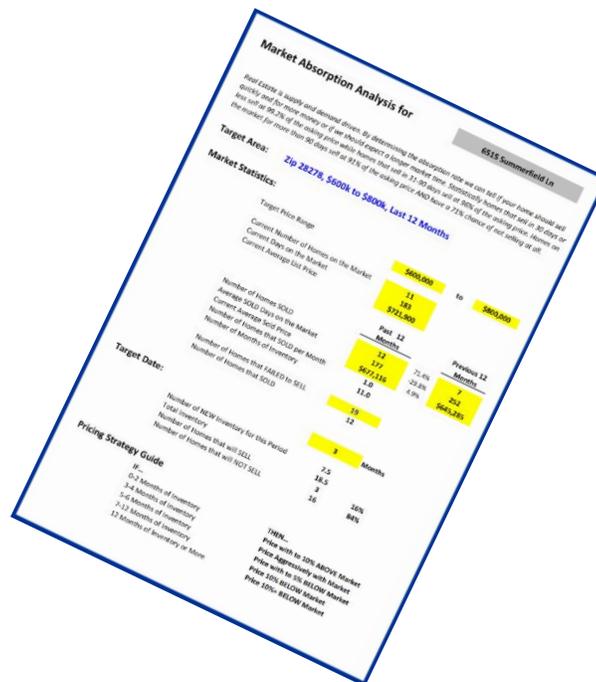


## Keller Williams Realty Equity Evaluation

Most traditional real estate agents do a “CMA” (Comparative Market Analysis). Keller Williams Realty researches and analyzes the true value of a property with a complete Equity Evaluation. The traditional CMA will miss many variables that go into the true selling price of a property in “today’s” market.

## Market Absorption Analysis

A Market Absorption Analysis will allow you to see a true Snapshot of local market activity. At a glance it will tell you how likely it is that your property will see at certain price points and how long it will take to sell it.



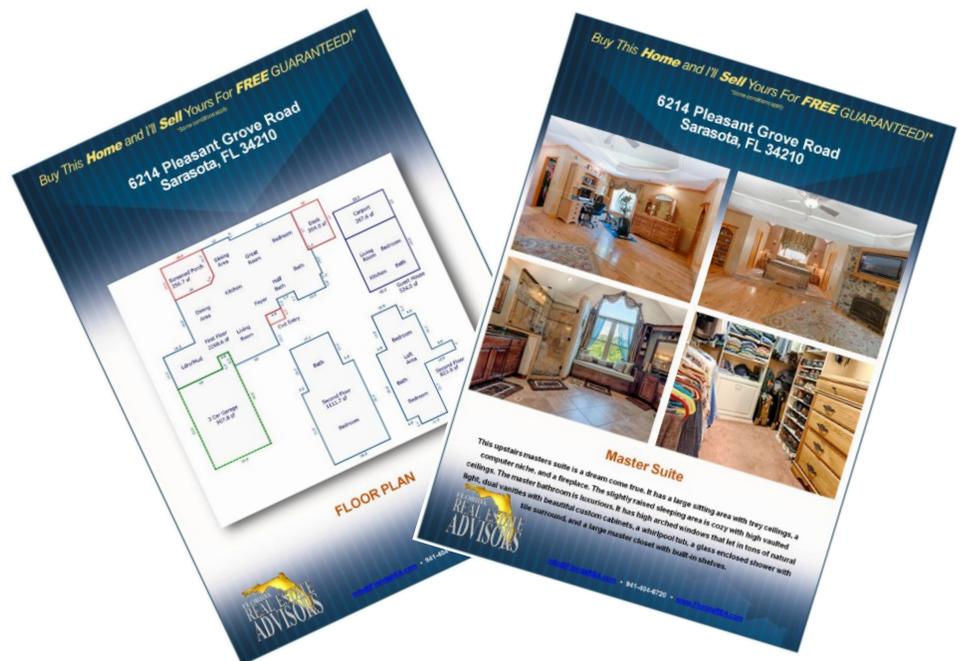


### Keller Williams Realty Custom Brochures

Most Home Buyers are looking at many homes. Without a professional and unique presentation of your home, it will likely get lost in the crowd.

### Extra Property Information

Keller Williams Realty includes information that is likely to assist in the sale of your long after the Buyer has left the property. Keller Williams Realty makes sure to go above and beyond in the information gathering stage to ensure a complete representation of your home.



***“Dianna Sold our home \$17k  
over our asking price so we  
could buy our dream home!”***

***Porsha & Bert***



When you are looking to sell your largest investment and you want Expert Advice and Guaranteed Results, all you have to do is contact Keller Williams Realty.

Contact Dianna Howell at...

Direct:

**205-568-5435**

Email:

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[www.TheHowellGroupOfAlabama.com](http://www.TheHowellGroupOfAlabama.com)

Visit Dianna in person at...

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AND HER TEAM OF EXPERTS  
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