

Questions to help you analyze your pricing strategy:

- Am I selecting a Real Estate Agent on services or price?
- Is the local market rising, falling or staying even?
- Is my opinion of value based on the actual neighborhood sale prices?
- How many homes in this area are competing against mine right now? How does mine compare?
- Have any neighboring homes been on the market too long? Why?
- Is my home consistent with, larger or smaller than the surrounding area homes?
- Which improvements have I made since purchase that will actually increase value? Which improvements won't?
- Are my financial needs influencing my asking price?
- Is my original purchase price influencing my asking price?
- Am I willing to price right and stand firm?
- What is my gain by buying up in the present market?
- Are the benefits of moving important enough to price my home at the market?

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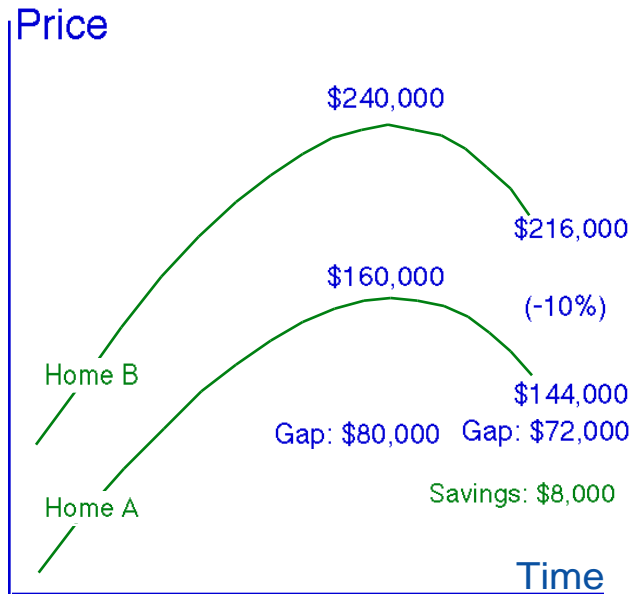
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Pricing Your Home To Sell

**A Homeowner's Guide to
Selling a Home for the Most
Money in the Shortest Time**

by David S. Knox, CSP

Buying Up in a Down Market



A declining market can be an excellent time to make a move up to a higher priced home. In this example, the owners of Home “A” have experienced a 10% decline in value. By itself, this seems like a negative outcome. Had the owners of Home “A” sold at the peak of the market, they would have also purchased Home “B” at the peak of the market. The difference would have been \$80,000. When the tide of the market goes down, the prices of all homes go with it. Home “B” also experienced a decline, but by a greater amount. The difference is now only \$72,000. By taking the “loss” in the sale of Home “A”, they realize a net gain of \$8,000 in the overall transaction.

Selecting a Real Estate Agent

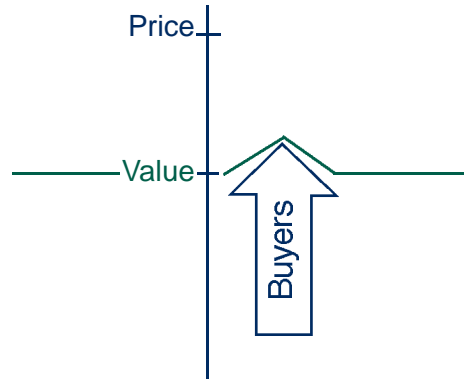
- Services & Marketing Plan?
- Indicated Market Price?

A Real Estate Agent has no control over the market, only the marketing plan.

Never select a Real Estate Agent based on price.

Select a Real Estate Agent based on criteria specific to the company, the competence of the person, and the services provided. Never base your choice on price. A Real Estate Agent has no control over your local market conditions. It would be wiser to select a Real Estate Agent first, then discuss price. Don't encourage or allow agents to “bid up” the price to get your listing. True professionals will give you candid feedback and factual information so you can price within the market.

“They can always make an offer.”



The wrong price attracts the wrong buyers and the right buyers won't see it.

MLS Computer Printout

RES					
RES	Status	Address	Area	Price	DOM
1	Active	5208 70th St W	385	\$237,000	33
2	Active	5837 St. Johns Avenue	385	\$239,900	14
3	Active	6013 Birchcrest Drive	385	\$239,900	2
4	Active	6937 Cornelia Ave	385	\$244,900	2
5	Active	5524 Warwick Place	385	\$247,900	12
6	Active	3901 Grimes Ln	385	\$249,900	37
7	Active	6421 Mildred Ave	385	\$249,900	23
8	Active	5321 INTERLACHEN BLVD	385	\$249,900	57
9	Active	6021 ABBOTT AVE S	385	\$249,900	111
10	Active	6240 PEACEDALE AVE	385	\$254,900	89
11	Active	6817 Southdale Road	385	\$259,900	33
12	Active	4217 SCOTT TERR	385	\$264,900	70
13	Active	6329 ST JOHNS AVENUE	385	\$269,888	145
14	Active	5241 RICHWOOD DR	385	\$269,900	9
15	Active	6200 Code Ave S	385	\$299,900	19
16	Active	4809 SCHOOL ROAD	385	\$299,900	56
17	Active	5616 BERNARD PLACE	385	\$319,900	152
18	Active	6233 Brookview Ave S	385	\$334,900	16
19	Active	7149 VALLEY VIEW RD	385	\$349,900	14
20	Active	5309 FORSLIN DR	385	\$349,900	2

Real Estate Agents find homes by price range using the Multiple Listing Service (MLS) computer. If you price your home above its value range, it won't appear on the printout. Then the right buyers won't see your home.

Homes for Sale

Address	Price

Homes That Have Sold

Address	Price

Use these charts to list the addresses and prices of homes for sale and sold in your area. Note the similarities and differences between your home and these samples.

Reasons for Overpricing

1. Over improvement

Improvements should be made for enjoyment, not just resale. You cannot add an item to a home, based on personal taste, use it, then expect a buyer to pay the original cost.

2. Need

An owner's need for money does not increase the value of the home.

3. Buying in a higher priced area

Values are location specific. High values in the destination do not increase the value of the existing home.

4. Original purchase price high

Chances are you paid market value. It's not a price that was too high, but a market that has experienced subsequent change.

5. Lack factual data

Base your opinion of value on recent documented sale prices.

6. Bargaining room

Buyers may offer low, but they will do that at ANY price. It is easier to negotiate up to fair market value than to an inflated price.

7. Move isn't necessary

Even if the move isn't urgent, it is important to price correctly to preserve your marketing opportunities when the move becomes urgent.

Principles of Evaluation

1. Cost

The amount actually paid for a property plus any capital improvements made since the purchase.

2. Price

The stated amount an owner is willing to accept for a property.

3. Value

The amount a buyer is willing to pay given a certain set of circumstances.

4. Market Value

The amount that will bring a sale between a willing buyer and a willing seller. It is based on the history of similar properties recently sold in the area.

5. Regression & Progression

The effect that surrounding home sizes have on the value of a subject property. Regression is the decrease in value when surrounded by smaller homes, progression is the increase when surrounded by larger homes.

6. Substitution

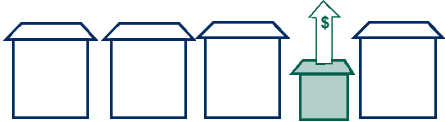
Substitution refers to the actual value of an amenity. Value is determined not by the cost invested in a property, but by the value derived from it. In the following example, the home with the more expensive well is worth no more because value is in the water, not the cost of obtaining it.

Regression & Progression

Regression



Progression

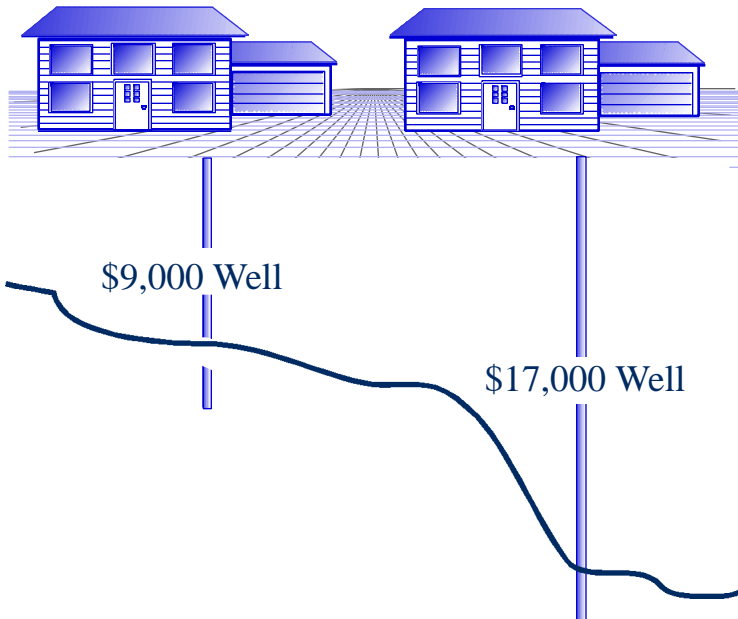


Surrounding property values influence the value of your home.

Principle of Substitution

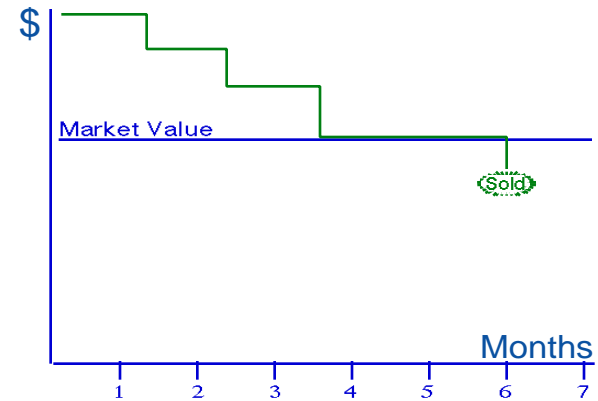
Value: \$250,000

Value: _____?



Value is determined by what a purchaser gets OUT of a product...Not what an owner has IN it.

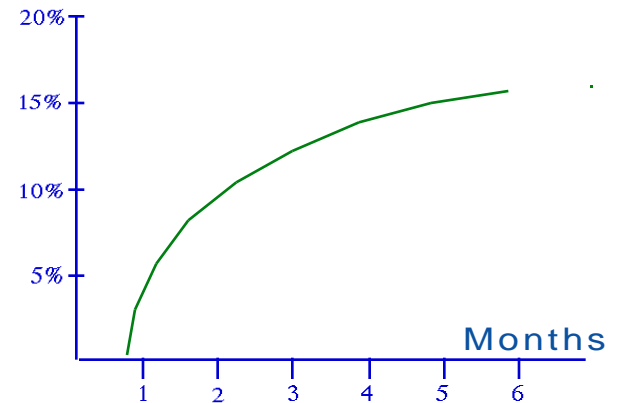
History of an Overpriced Home



By the time an overpriced home is finally reduced to the market, it may be too “aged” for buyers to offer full price. Have you ever asked how long a home has been on the market? What conclusion do you draw?

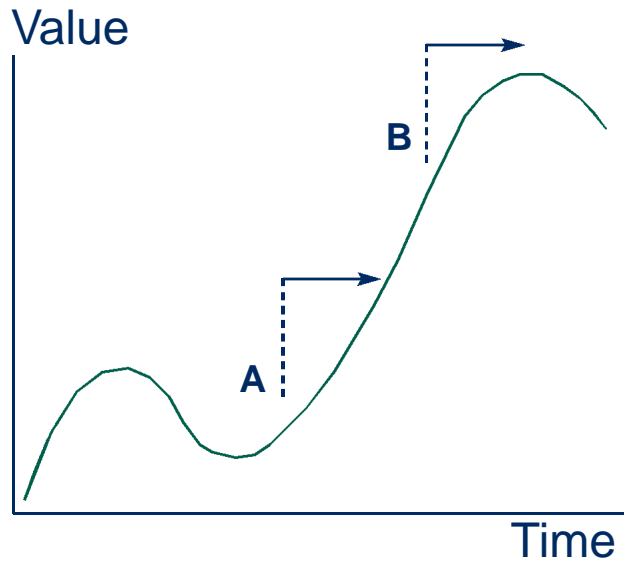
“But we have time.”

% Over market



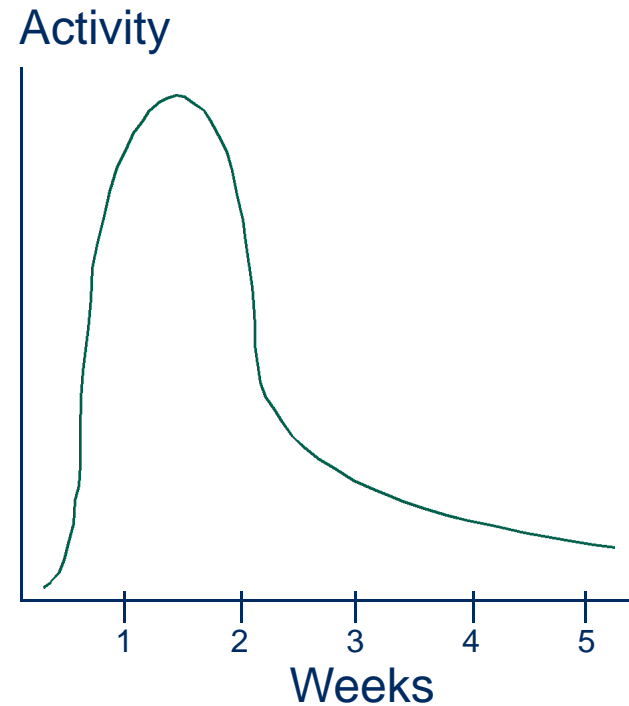
At some percentage over market, no reasonable amount of time will produce a sale. Even when priced right at the market, it may require a month of exposure to sell.

Value Trends in the Market



Prices in the real estate market rise and fall over time. A rising market may “catch” the home and it will sell (see A). However, in a flat or declining market, pricing is far more critical since the market won’t catch the price within a reasonable time (see B). Consult with your Real Estate Agent to learn the current market trend when making your pricing decision.

“Couldn’t we try for a couple of weeks?”



The majority of prospect activity on a new listing occurs in the early period of marketing. This happens because Real Estate Agents maintain an inventory of active prospects that have been cultivated over time. When a home is newly listed, Real Estate Agents arrange for them to see it. Once this active group has seen the property, showing activity decreases to only those buyers new to the market. For this reason it is important that sellers have their home in the best condition and at the best price at first exposure to the market.

Competitive Market Analysis

District	Address	Bedrooms	Sq. Ft.	Price

Expireds: Out of range

Up to 30% of all homes put on the market never sell. The prices at which these homes expired represent the “out of reach” price. If you price there, then yours will also expire.

For Sale: Upper end of range

These are asking prices only. They have not been attained in the market. Examine the number of days on market and if it has been a long time, the homes are priced too high.

Solds: Lower end of range

These are actual sale prices and are your best evidence on which to base your pricing decision. Assuming the homes are similar to yours, you should be able to attain similar prices. In a rising market these represent the lower end of the range.

Buyer Qualifying Requirements

	Option 1	Option 2	Option 3
Price			
Down Payment			
Mortgage Amount			
Principal & Interest			
Taxes			
Insurance			
PITI			
Qualifying Ratio			
Income Required			

EXAMPLE: This illustrates the financial requirements based on the purchase of a \$275,000 home with 20% down leaving a \$220,000 mortgage at 6% interest over

Price	\$275,000
Down Pmt	\$55,000
Mortgage	\$220,000
Princ & Int	\$1,319
Taxes	\$267
Insurance	\$67
PITI	\$1,653
Qual Ratio	41%
Income	\$4,032

30 years. (Property taxes and insurance were estimated.) Lenders allow borrowers to spend approx. 41% of their income on a house payment. Dividing the total payment of \$1,653 by .41 qualifying ratio = \$4,032 minimum required monthly income, or about \$48,384 per year without any long term debts.

Foreword

This booklet is a companion guide to the videotape “Pricing Your Home to Sell” and includes some of the diagrams and illustrations used in the video. The purpose is to help you sell your home for the most money by pricing within the market range. Space has been provided for you to write home prices and financial qualifications for a potential buyer. On the back cover you will find questions that will help you examine your pricing strategy. Your Real Estate Agent has information to assist you.

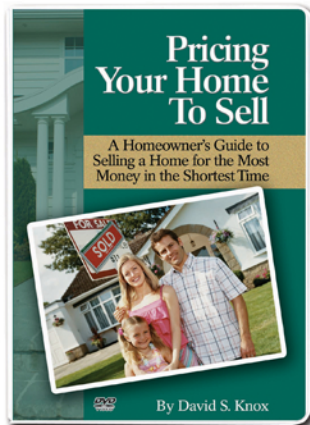
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*“Pricing Your
Home to Sell”
video by
David Knox*



Benefits to Proper Pricing

1. **Faster sale**

When your home sells faster, you save carrying costs, mortgage payments and other ownership costs.

2. **Less inconvenience**

If you've moved before, you know the energy it takes to prepare for showings, keep the home clean, make child care arrangements and alter your lifestyle. Proper pricing reduces this.

3. **Exposure to more prospects**

At market value, you open your home up to more people who can afford the price.

4. **Increased salesperson response**

When salespeople are excited about a home and its price, they make special efforts to contact all their potential buyers.

5. **Better response from advertising and sign calls**

Ad calls and sign calls to Real Estate Agents turn into showings when price is not a deterrent.

6. **Attracts higher offers**

When a home is priced right, buyers are less likely to offer low out of fear of losing a good home.

7. **Means MORE money to sellers**

If a home is priced right, the excitement of the market produces higher sale prices. You NET more, both in terms of actual sale price and in less carrying costs.