

How to price your house for the market

While sellers look to achieve the best price for their home, home buyers and investors are savvy and street-wise, researching the market to gain a good perspective on properties on the market in their preferred suburbs and are only prepared to pay realistic, market-related prices.



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Today's buyers have easy access to a wealth of information and so they are well educated regarding the residential property market and do their homework before committing to a purchase.

Pricing a home to sell requires a subjective view of the property, says Stuart Millar, Pam Golding Properties area principal in uMhlanga and uMdloti. "Sometimes people start at the 'wrong' end and work backwards, by looking at how much they've spent on the property and what they'd like to achieve for it. It's advisable to consult a qualified and experienced agent in the area who knows what prices have actually been achieved for comparable homes in the recent past."

Ling Dobson, PGP area principal in Knysna and Plettenberg Bay concurs: "We often hear, 'I'm upgrading to a larger home and I need my house to sell for Rx million otherwise I won't be able to acquire the property I want.'"

Over-capitalisation

Most suburbs have a ceiling price which obviously fluctuates with market conditions, says Laurie Wener, MD for Pam Golding Properties in the Western Cape's Cape Town metro region. If the costs of building and renovating exceed that which can realistically be obtained in the market place, then this is over-capitalisation. However, over-capitalisation can be reduced by capital growth achieved over the time that the property is held."

Greta Daniel, sales and operations manager for Pam Golding Franchise Services agrees, and says a suburb's ceiling price can best be ascertained by an area specialist, based on historical knowledge of the area and backed up by data such as the Pam Golding Residential Property Index, which combines information based on the 'repeat sales' methodology incorporating residential property transactions registered at the Deeds Office - as well as other data sources across the

country's residential property market, including Lightstone and PGP's own extensive sales data.

"This professional knowledge, together with commitment by the seller and agent on a sole mandated marketing drive, will deliver the best results for the seller and buyer. Multi-listing services where agents deposit the stock in a common pool and have no accountability, invariably result in time lost and the seller having to accept the lowest price from competing agents," says Daniel.

A misconception is that simply considering asking prices of properties advertised for sale provides a good idea of what these properties are actually worth. "As these properties have not yet sold, the asking prices may be too high, and some of them may have been sitting on the market for some time," says Annien Borg, MD for Pam Golding Properties in the Boland and Overberg regions. "One should rather look at properties which have sold and this is where a professional estate agent comes in. A reputable agent with a sole mandate on a property will not - as some may incorrectly assume - put a low value on a property in order to sell quickly."

Comparative market analysis

The correct market-related price will ensure that your home is priced to sell. As a starting point, consult an experienced and qualified agent in the area to conduct a comparative market analysis of similar homes which sold recently in your neighbourhood. However, as Wener points out, a comparative market analysis (CMA) only permits pricing on a historic basis, which can result in undervaluation in a bullish market.

"While using the CMA as a basis, the general market activity, sentiment and many other economic factors must be taken into account in assessing the current value, which is where an experienced agent's skills come to the fore. Also, many properties have an emotional draw and it is not unusual for beautiful furnishings or a lovely garden to attract a premium price over the similar but less appealing house in the same street. The more buoyant the market, the greater a role the emotional factor can play."

In order to get the best selling price, a seller will also need to pay attention to the preparation of the house to ensure it is appealing and well-presented within its price bracket before embarking on the sale. In this way, potential buyers are presented with the 'best buy' in terms of value in your price band and area.

"This is especially relevant in the current market, as stock in popular or high demand areas are in short supply, which means that buyers are literally waiting to see what new stock comes onto the market," says Carol Reynolds, Pam Golding Properties area principal in Durban, Durban North and La Lucia. "This makes correct pricing crucial as the buyer pool is in action in the first two weeks of the mandate being listed and launched to the marketplace, so if you don't capture that market, then you've lost those buyers. And the last thing you want is for your property to sit on the market for a lengthy period and then become 'stale', as buyers know when a home is over-priced or remaining unsold, in which case they dismiss this property and move on."

"It's true that every property has more than one price. Firstly, what the seller thinks its worth, what the agent values it at and what the buyer is prepared to offer. Then, of course, there is the final settlement price."

Wener says in high demand areas, such as the Cape's sought-after Atlantic Seaboard and popular Southern Suburbs, the fact that the demand exceeds the supply tends to narrow the margin between ceiling and asking price and may even eliminate the margin completely when comparative offers result in the asking price being exceeded.

She says the luxury or high end category of the housing market is more difficult to evaluate due to the uniqueness and lack of comparative properties. "Sellers in this sector of the market also have their own views on what they want for the property and often one has to test the market at a very optimistic price and gauge the market response. Even the most experienced agent may be incorrect in their assessment and there is also a high degree of subjectivity, especially with unique or iconic properties and in an environment of market fluctuation," she says.

As a guideline, the following factors need to be taken into consideration:

- What you paid for your home has nothing to do with its present value
- The price you would like to achieve for your home doesn't control the asking price
- The value other agents put on your property is not always accurate
- What a valuator says your home is worth doesn't determine the price in the market
- The current market determines the value of your property.

Bear in mind that if your property is over-priced, it loses prospective buyers and eliminates offers, and also limits financing which can eventually lead to a lower price.

Adds Reynolds: "There is a misconception that multiple agents marketing a property will result in a quicker sale. This is not the case, as agents prioritise stock which is marketed on a sole mandate - a method which is most likely to achieve a better price for the seller. For example, we've had several recent situations where we sold properties for full asking price as the homes were correctly priced. As a result we had two and even three buyers competing for them, which served to drive up the price. Where multiple agencies have listed a property the seller is at a disadvantage as the agents compete with one another rather than focusing on achieving the best market-related price for the seller."

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