

Value Theories and Pricing

The right list price is a key to the timely selling of your home. Overpricing discourages buyers from looking or making an offer. Your sales professional will prepare a market analysis to help you set the right list price.

Two general theories affect pricing. The first, the Pyramid of Value, says that the number of buyers willing to purchase your property is indirectly related to the price. In other words, the lower the price, the more buyers will be willing to buy. The second is the Time Theory of Value. This says the length of time it takes to sell is directly related to the price. Thus the higher the price, the longer it will take to find a buyer. Your sales professional will be mindful of these rules in relation to your timetable and goals.

An appraisal sets value based on an expert's opinion. The appraiser considers recent sales of properties that are similar to yours. A market analysis will differ from an appraisal. In addition to recent sold properties, it will compare your home to active properties you will be competing against.

While the ultimate goal is to net as much as possible, the price should be in line with active comparable properties and recently sold properties. Ideally your price should be more attractive to a prospective buyer than the competition. Since a buyer will need an appraisal to secure a loan, the property must appraise for the sales price. The lender will not lend if there is a risk that the true value of the property is less than the loan against it.