KINDRED LEGACY SOLUTIONS

5 Pricing Strategies to Consider When Selling Real Estate

The longer your house sits unsold, the more likely it is to sell for less. And the window to command maximum value is smaller than you might expect. One of the best ways to avoid letting your house linger on the market is with one of the tried-and-true house pricing strategies that can help you hit the sweet spot — attractive to buyers yet competitive to help maximize value.

Top Chicago-area real estate agent David Dominguez expects that the longer a property sits on the market, the more buyers see an "opportunity for leverage" and offer 5% to 10% below asking price, he says.

If you're aiming to sell a house in 2024, here are six of the go-to house pricing strategies used in real estate. These tactics will help you set a competitive price and forward your selling goals.

Pricing a home in 2024

While experts do not expect a housing market crash to occur in 2024, someone selling a home this year should not base their house pricing strategy on the dynamics of the hot seller's market of 2021-2022. It will be necessary to keep close track of any changes in the market with the help of your real estate agent.

House pricing strategies for 2024

Use comparable sales that are as recent as possible

A home with better upgrades may sell for less in 2024 than a similarly sized house of lesser quality sold for as little as two years ago. Correct your price accordingly by using the most recent comps for your house available.

Be realistic about your home's condition

Are you truly move-in ready, or has your list of maintenance projects gathered dust? According to HomeLight's recent survey, 19% of agents report that the home inspection revealing unexpected issues is the top deal-breaker for buyers.

House pricing strategy #1: Start with a home value estimate

It used to be that the only way to access information about pricing your home would be to pay a few hundred dollars for an appraisal or ask a real estate agent's opinion.

Today, detailed property data is widely available online. Sellers now have a head start with the ability to do more preliminary research and access relevant data about their home in an instant.

Ask yourself these short questions:

When are you thinking of selling?
What is the condition of your home?
What type of property is it? (ie. single family detached, townhome, condo, etc.)
What year was the home built?

A real estate agent can pull publicly available data on your property such as the last sale price, and compare with current market trends, and recent sales records to provide you with an estimated range of value for your home in a matter of minutes — all for free!

However, you'll need to follow up your online home value estimate with a real estate agent's expertise for accuracy purposes to ensure your estimate takes into account recent upgrades and location factions, such as road noise, nearby power lines, and school district quality.

> **Goal of this strategy:**
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> AVMs (automated valuation models) help orient your perception of home values in your area. While they aren't (and shouldn't be) the sole resource used in determining an asking price, these tools provide a homeowner relevant data for an educated starting point in the process.

Look to comparable sales for guidance

Property values are hyperlocal and always shifting, so agents and appraisers rely on comparable sales, aka "comps," to price individual houses and capture recent changes in the market.

What's a comparative market analysis?
A comparative market analysis (CMA) puts your home side-by-side against other recently sold properties that are similar in location, condition, and size.

How do you price based on comps?
Say you had a CMA with about a dozen listings. The summary page might look something like:

Lowest price: $575,000
Average price: $621,318
Highest price: $690,000

If your house appears to be a bit better than average, and the market is heating up, perhaps you price around $650,000. Or maybe the photos clearly show that the comps are more updated than your inherited home that hasn't been refreshed in decades.

That might put you on the lower end of $575,000 to account for work needed on the home. But such a range would help you see that pricing anywhere above $690,000 is going to be way out of line, while going higher than the $620,000 average should be supported by your house having some competitive advantages.

Goal of this strategy:

To price your home based on current market trends rather than guesstimates or wishful thinking. The best indication of what a buyer will pay for your home today is what a buyer already paid for a similar home not long ago. Comps provide an objective benchmark and point of reference to determine a price range. A seller can then get granular as to where their home exceeds or falls short of the comps as far as home condition, location aspects, and special amenities or additions.

House pricing strategy #2: Use the real estate pricing pyramid

This long-held real pricing strategy considers the relationship between your home's asking price and the percentage of buyers likely to look at your home. In general, the higher you price your home above market value, the smaller your potential buyer pool gets.

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Price at market value

Most sellers will aim for an appropriate list price at current market value, drawing in roughly 60% of active buyers. Remember, buyers and their agent's research market value, too, so you want to hit the sweet spot in price.

According to NAR's 2023 Profile of Home Buyers and Sellers, buyers typically purchased their homes for 100% of the asking price (with 25% purchasing for more than the asking price).

Cooler markets and greater inventory would make it less likely that buyers purchase their homes above asking price.

Price just below market value

Pricing 10% to 15% below market value opens the potential buyer pool to 75% to 90%, according to the pricing pyramid — a sound strategy to generate more traffic when your property is unusual or your area has few recent comps.

Strategically pricing a home at 15% to 20% below market value can increase buyer demand and even sometimes create a bidding war where the property could potentially sell above asking price!

Price above market value

It's rare to price your home about 10% to 15% above market value because it narrows the potential buyer pool to as low as 10%. But sometimes your agent might find this appropriate.

While it's a high risk strategy, if it makes sense, discuss with your agent to start at about 10% above market value. In many cases, your agent will likely recommend lowering the price after two to three weeks if there's no interest.

Goal of this strategy:

To pick a price within a given range based on your selling goals and what type of market you're in. With the real estate pricing pyramid strategy, it's easy to see the advantages of pricing at or below market value, and the gamble of limiting your buyer pool too much by overpricing.

House pricing strategy #3: Adjust for online pricing benchmarks

Part of a 2024 house pricing strategy is to consider where buyers primarily shop for homes: The internet! Recently, 100% of all buyers used online tools in their home search process, and 41% of recent buyers said their first step in finding a new home was to look online.

Once you have an asking price in mind, tweak it ever so slightly to make sure that it will show up with the greatest frequency when buyers are searching for properties like yours and in your price range.

For example, many online real estate sites set price filters for $25,000 increments. So, if you list your home at $352,000, buyers who filter their maximum price at $350,000 may not see it, even though the home is well within their budget.

> **Goal of this strategy:**
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> Once you understand how minor price adjustments may boost your listing's visibility on the most popular home search websites, you can avoid limiting the number of buyers who see your home. If you're right over the edge on a $25,000 increment, consider pricing down slightly to maximize your listing's visibility.

House pricing strategy #4: Follow the seasonal shifts of your market

Conventional wisdom suggests that the best time to sell a house is in the spring, when the balmy weather beckons people outdoors. Yet local real estate transaction data can vary drastically from national trends.

A good real estate agent will review months or even years of data to estimate the best time to sell a house in your area. They will provide suggestions for the ideal time to sell your house for more money, as well as when homes historically sell the fastest in a particular market.

For instance, September is the best time to sell in New York City, when you could earn 9.8% more than the yearly average. Meanwhile, May is the best time to sell your house fast in Los Angeles, when homes sell almost six days sooner on average, according to internal transaction data. A skilled agent can find the benefits of listing anytime, though.

Data also shows that June is the best time to sell a Chicago home fast, but there tends to be more serious buyers in the wintertime when people are “willing to put on their jackets and boots and look at your property” compared to “window-shopping buyers” in warmer weather.

> **Goal of this strategy:**
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> To time your listing with seasonal factors in mind and set an appropriate price based on the time of year. If you know your area’s peak market season, you may be able to justify a higher price point and expect fewer days on market, knowing that more potential buyers are looking at that time to increase the competition for available homes. Conversely, if you’re selling in the slow season, you might aim closer to market value or slightly below to account for reduced sales activity.

House pricing strategy #5: See what a cash buyer would pay

No matter where you set your price, a traditional sale typically requires some level of effort to prepare, stage, and show a house until an offer comes together. However, some sellers need more certainty about when their home will sell and are looking for an easier solution.

The most straightforward alternative may be to request a cash offer from an investor or an iBuyer (a company that uses pricing technology to make a near-instant offer on your home). Essentially, you provide a few details about your home, the iBuyer names their cash price, and then you decide whether you want to accept or decline the offer.

In as little as a week, you are presented with an all cash offer with the ability to close in as little as 10 days. By contrast, a transaction involving financing typically takes 30-45 days to close in today’s market.

Goal of this strategy:

To avoid many of the common headaches involved with pricing and selling a home, or to sell a home that needs some work without having to take on a bunch of projects first. Selling your home to a cash buyer usually means you can opt to sell as is, which often means accepting a lower price but also fewer upfront repairs. Sellers who need to move quickly or dread showing their home may also be drawn to the benefits of requesting a cash offer.

Pick the right strategy (or strategies) to price your house

Pricing your home does involve quite a bit of analysis and strategic thinking. And you don't have to pick one strategy. In fact, when you combine an approach that uses comps, the real estate pricing pyramid, and is cognizant of online price filters — you're likely to arrive at a competitive price that works to attract buyers.

With these house pricing strategies in mind, you're less likely to pick an inflated number to the frustration of buyers who may love your home but recognize that you're overpriced, or undersell your home when you've recently put a lot of work into it.