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HOW TO PRICE A HOME IN A SELLERS' MARKET

How to price a home in a seller's market may be a question that's top of mind if you're listing your home. Much of the United States right now is a seller's market—which spells potential for major profits. Lucky you!
However: Some sellers may see this as an opportunity to set the bar high—maybe too high—when it comes to their list price. Others may decide on a lower asking price, in hopes of generating a bidding war.

So which pricing strategy works best in a seller's market? Every approach has its pros and cons, so here's how to determine the best one for you. **First, assess the landscape**

Before you go about setting your list price, you'll want to survey your area to see whether you're truly in a seller's market, says Seth Lejeune, a real estate agent with Berkshire Hathaway in Collegeville, PA. For a deep look at your market, you'll have to analyze a few key variables:

- **Average days on market (DOM).** This measurement shows the median age of real estate listings in your area. If houses are selling in your neighborhood in less than 10 days, it's a strong sellers' market, Lejeune says. Ask your REALTOR® about the DOM in your neighborhood.
- **Asking vs. final home price.** In sellers' markets, bidding wars can often erupt among buyers, which means that sellers may enjoy a final sales price equal to their asking price, or more. So, if a home is listed at $450,000 and sells for $450,000 or higher, that's a sellers' market. In a strong sellers' market, the final sales price is typically at least 10% higher than the asking price.
- **Home prices over time.** Rising home prices over time are a sure sign of a sellers' market. You can determine whether home prices are rising or falling in your city by asking your REALTOR®

Pricing strategy No. 1: Listing at market value

To assess your home's "fair market value"—i.e., what your house is actually worth in today's market (not just what it's worth in your head)—you can enter your address in realtor.com/sell to get a ballpark figure for your home's value.

To hone that number further, check what comparable homes recently sold for in your area. Your REALTOR® can help you synthesize this info into an asking price that you can justify and stand by, which is important once the negotiations on a home get rolling.

"If you're working with a real estate agent who understands the market, you have to trust their comps," says Lou Nimkoff, president at the Orlando Regional REALTOR® Association.

Even in a sellers' market, Lejeune generally recommends that sellers list their house at market value. "You have to forget the noise, especially if you're looking to sell in a reasonable period of time," he says. "For most sellers, it's always the best strategy, regardless of the status of the market."

The bottom line: By listing at market value, you'll be in a good position to get a full-price offer relatively quickly.

Not in a rush to sell? Keep reading.

Pricing strategy No. 2: Listing high

If you're not on a tight timetable to sell, you could price your home above market value—typically 5% to 10% more—to see if you can nab a great offer. But that approach has its flaws.

For starters, "The last thing you want to do is price your home too high and then have it just sit on the market," says Nimkoff. When that happens, your house can become stigmatized in the eyes of home buyers, which can make it even more difficult to sell, Nimkoff says.

You might also have trouble closing the sale if your lender's appraisal of your home's price doesn't come in at that same high number.

"Even if you find a buyer that's willing to pay you $400,000 for a $300,000 house, a lender may not loan that much money," Nimkoff says. "So, unless you have an all-cash buyer, it would be next to impossible to close the sale."

That being said, some people have success selling over asking price by targeting investors with the ability to make cash offers, says Dan Burz, an agent at Douglas Elliman in New York and New Jersey.

The bottom line: By listing above market value, your home might sell at a premium—but there's a greater risk that it doesn't sell, especially if you're unwilling to reduce the price.

Pricing strategy No. 3: List low

One way to get your property more exposure, Nimkoff says, is to set the list price below market value—generally 5% to 10% under—in an effort to attract more buyers and potentially spark a bidding war. "If you price low, you can probably get multiple offers within one to two days," says Nimkoff.

A bidding war is a good problem to have if you're a seller, but "the more offers you receive, the more options you have, which can make choosing the best offer challenging," Nimkoff says.

For some sellers, the most appealing offer is the one with the fewest contingencies; for others, the best offer is the highest bid. It depends on your priorities.

The bottom line: This strategy can backfire if you receive only one offer for asking price or less. That's less likely to happen in a seller's market, but it's always a possibility. There's also less wiggle room for you to negotiate if you receive a lowball offer.