

**7-27-2021**

*The purpose of Weekly Bread is to share with readers what Pete and I are seeing, thinking, and doing in today's real estate. We believe we are doing a lot of good, but only our clients and readers can decide that. We hope everyone will appreciate our website and reports enough to call us. Enough said, let's get to work!*

## **Housing values and pricing**

Advising buyers and sellers about home values is one of the most important services provided by a real estate agent. And let me emphasize an agent who is a Realtor! "What's my house worth" or "How much should I offer" are usually the first questions clients ask, and the best agents, Realtors, know how to respond.

They respond with facts and opinions based on their training, experiences, and current activities. Agents with the greatest current activities usually have the best opinions and market insights -- especially in a changing market. Real estate is a hands-on business, so the busiest agents usually know the most about current events.

Real estate markets are always changing, be it global, national, or neighborhood shifts. Success agents are always on top of these changes, because real estate demands it. Real estate as an investment is normally a long-term thing, waiting years for markets to grow. Or, it can be short-term and dramatic with opportunities for those in the know.

The worst housing recession ever was the Great Recession of 2007-2009 -- lasting officially for two years; but many others thought long -- 2007 to 2011. If you bought then or held onto previous purchases, you have done well by today's standards. It was a tough ride.

Today, how would you price your home for sale? What comparative home values or pricing strategy would you use? Are you selling for today's market or tomorrows? This is where experienced AND agents/Realtors can help you the most. Current practices include the following ideas:

**Price below the market and let buyers bid it up!** This sounds dramatic, fun, and very much like an auction -- which it is. As buyers bid against each other, the price goes up. However, unlike an auction, price is not everything.

Cash buyers are "king" because appraisals are not usually done, inspections less demanding, and closings are faster with fewer complications. However, cash sales at the most in the hottest of markets may constitute 15% of all home sales. The balance of sales is financed by conventional, VA, or FHA mortgages that with funding requirements.

Buyers using a purchase mortgage are confronted with a gauntlet of issues including low appraisals, lender underwriting problems, buyer's cash reserves, credit scores, and the ultimate biggie -- final loan approval. That's why cash is king -- it's simple.

The biggest weakness in below-market pricing is market timing: What if the market is soft or having a "bad day" when it goes up for sale? Instead of 15 showings in 2-3 days, there's five in five days and only

one offer? What if the bad week becomes a bad month like this year's vacation season slowdown? Without the energy generated by large numbers of buyers tripping over each other looking at fewer and fewer homes, purchase offers may be fewer and lower than anticipated. I've seen this happen more than once, and there have been regrets with this strategy.

**Pricing to market!** This is all about knowing the market and not letting buyers price your home. It's knowing why and how buyers and their agents are bidding on homes and plugging that into the asking price. It's about the listing agent educating the seller who sets the price.

As mentioned above, markets are always in flux. They never "sleep" as some describe them. Setting a listing price always starts by knowing what direction the market is heading...up, down, or stagnant? After knowing its direction, what started and drives that market, how long might it last, and when might change occur? It helps to know the volume of sales, days on market, and the kinetic energy of the buyers.

Pricing to market is not looking for a thousand showings and a hundred offers. It's about knowing specific price points for similar properties and getting ahead of the market. That means pricing above or below the "price curve" in rising or falling markets. This was painfully learned by foreclosing lenders during the Great Recession. They were focused on recent sales and ignoring where the market was going – south!

The most valuable agent is the one who knows the *why's* and *how's* of the market, and is able educate the client to make the best decision.

Remember, knowledge is power.

**Using sold comps to determine value:** This is the traditional method and works well in normal markets; it is used by almost all agents and appraisers to price homes. However, when markets start to change up or down and gather speed, sold comps quickly becomes outdated.

As mentioned above, I did a lot work for banks during the Great Recession – all foreclosures. I would report my opinions of value, but initially lenders said I was coming in too low. Banks were not believing their eyes that prices were falling that fast and that much. It took them a year or so to wake up to how bad the market was and to price foreclosures ahead of the falling price curve. When that happened, the market started leveled off. The same goes for today's rising prices market – pricing ahead of the curve.

In a hyper market, sold comp are not as useful as Pending Sales (formerly called Under Contract). When our prices skyrocketed this March through May, agents and appraisers had a tough time pricing homes using sold comps. They quickly started inquiring about Pending Sales hoping to learn what happened. To a degree that helped listing agents and seller price homes correctly.

As this market matures, closed sales will catch up with new listing prices – it's happening now.

**Finding the right agent for you:** How do you do that? Most agents are referred by a friend or a family member, but if that agent doesn't know your neighborhood or area, then are you starting out with a knowledge disadvantage? Does the agent know the "lay of the land.?" Will you get the right price?

A Google search or local publications are excellent resources. *Metro Matters Magazine* is all about Heather Ridge, so start there. And if you Google Heather Ridge real estate, our Pete and Van website [heatherridgerealestate.com](http://heatherridgerealestate.com) will pop. And if all that fails, talk to a neighbor or two about agents who have sold there.

In today's hyper sellers' market, almost all homes are selling, but are they selling for the right price? The best agents-Realtor can explain the different methods and outcomes that work best for you. As this market begins to level off and change, agents will need to re-set their market forecasts and prices. This is always the case because markets are always changing.

Thanks for reading what Pete and I are seeing, thinking, and doing to help our sellers and buyers.

Van