



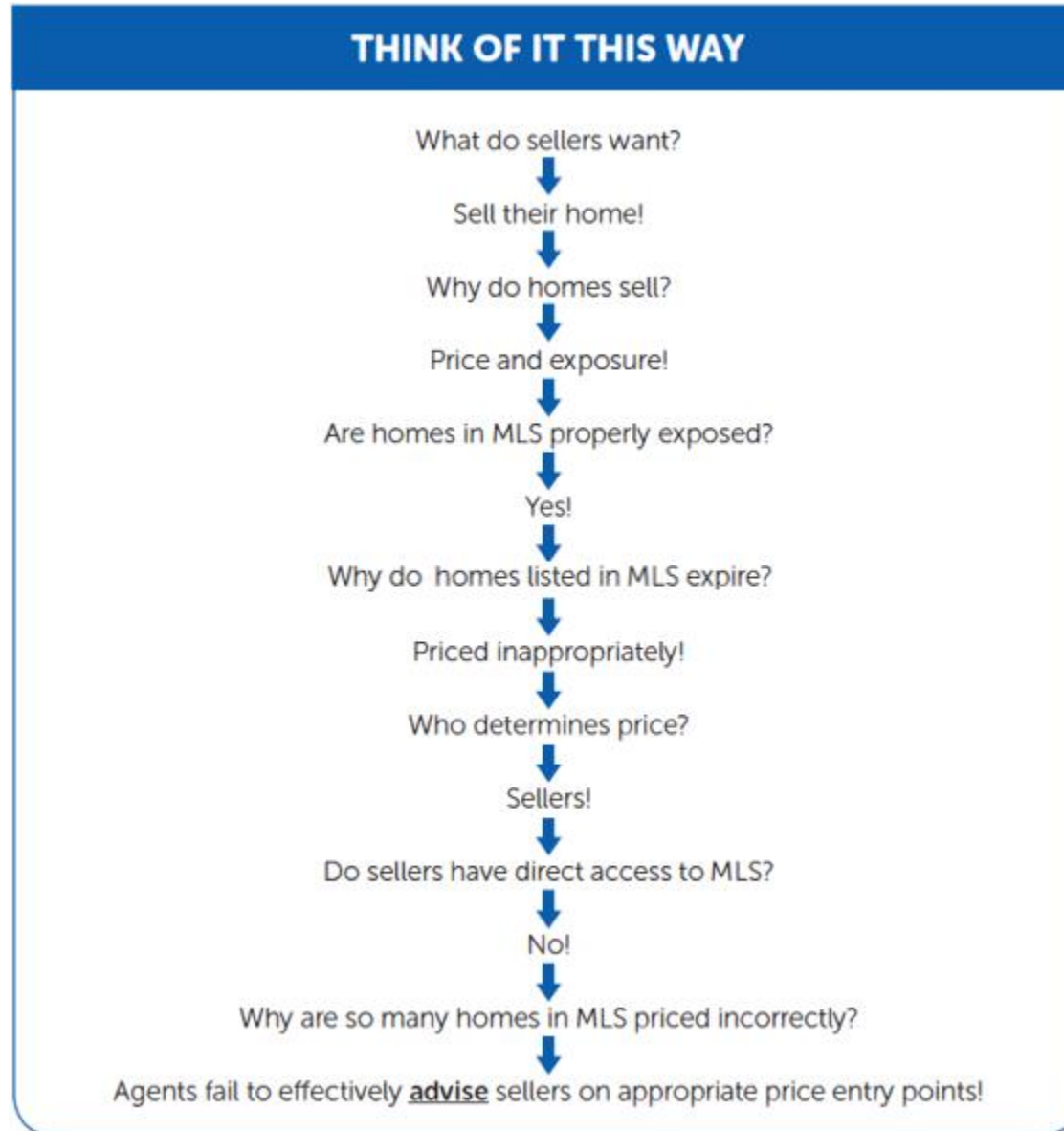
# Pricing Boot Camp

# Check Your Attitude

## CORE PRICING BELIEFS

1. Informed people make **intelligent** decisions
2. Pricing homes is not an **exact** science.
3. Pricing homes is **neighborhood** specific.
4. There is a **difference** between value, price and entry.
5. Buyers determine **value**.
6. Sellers determine **price**.
7. Competitions determines **entry**.
8. The pricing game is all about **justification**.
9. Seller needs can never be used to justify **value**.
10. Buyers seldom pay **more** than fair market value.
11. Price should never **exceed** value.
12. There is a difference between taking a listing and **selling** a listing.
13. There are opportunity costs associated with taking **overpriced** listings.
14. Homes sell for **two** reasons
15. It's unacceptable to leave the **seller's** money on the table.
16. People will trust and follow what you can **logically** explain.
17. An **appropriate** pricing strategy supports win-win working relationships.

# Becoming A Pricing Strategist



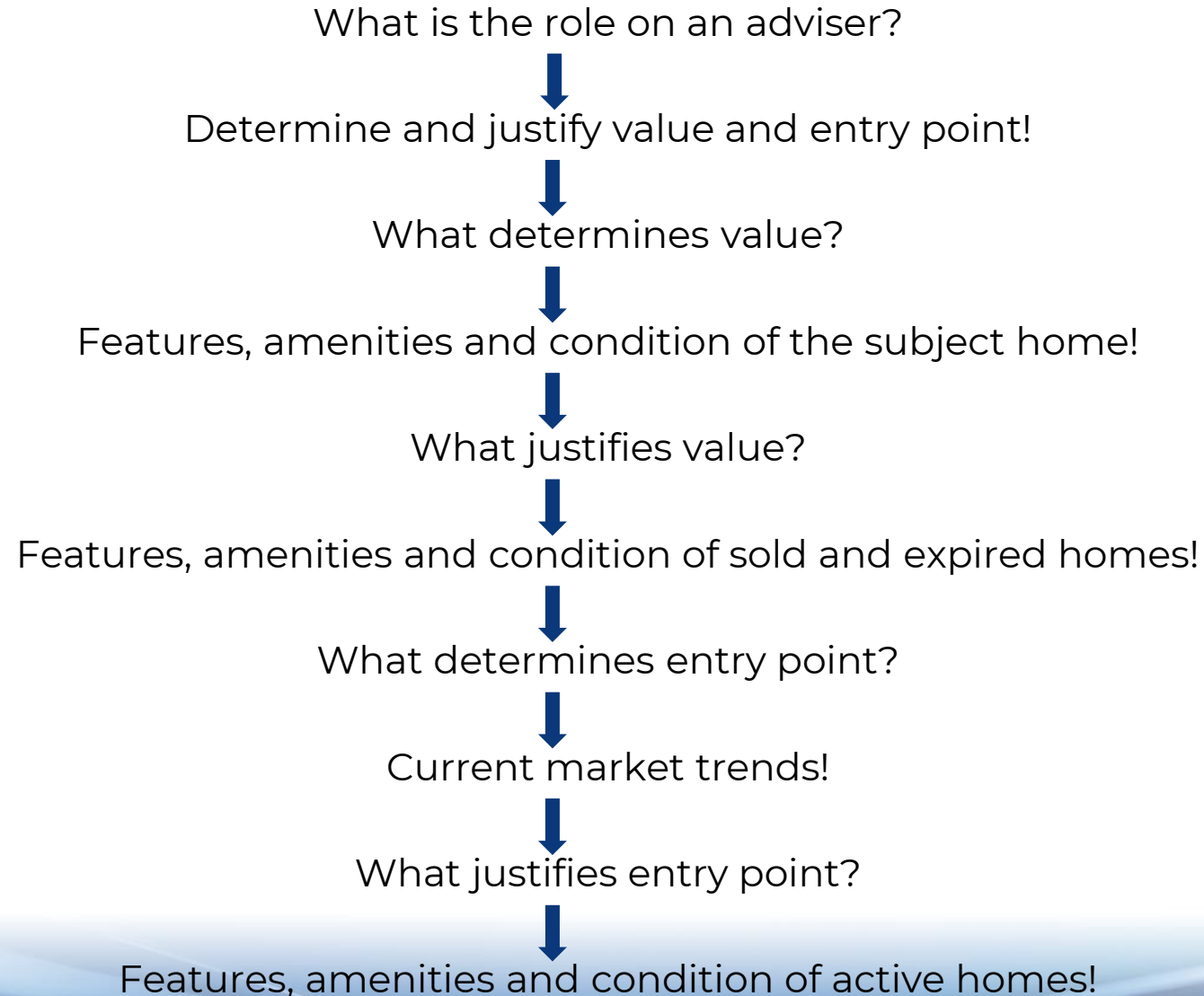
# Becoming A Pricing Strategist



Why do some agents fail in the process?

- Lack of Knowledge - Agent possess incomplete information
- Lack of Confidence - Agent submits to seller demands
- Lack of Judgment - Agent thinks it's only about taking the listing - Agent wants to leverage the listing

# Facilitating Intelligent Decisions



# A More Effective Way



## A MORE EFFECTIVE WAY

Sellers will trust and follow what you can logically and tangibly explain!



Better to tell sellers or have them self-discover?



Self-discovery is the key!

# A More Effective Way

## Conversations vs Presentations

- Presentations work if the seller agrees with your opinion, they are not interviewing other top agents or they are in a dire situation.
- Conversations start with questions which lead to sharing of information, exchanging ideas and hopefully leading sellers down a path of self discovery.

# A More Effective Way

## Unique vs Typical

- Sellers expect help with pricing
- The problem is most listing agents use the same approach to pricing.
- In a seller's eyes, where all agents appear the same, cost of service becomes the difference maker.



# Analysis of Your Current Approach



- Most listing agents, and thus most sellers, believe pricing a home is simply accomplished by multiplying average price-per-foot by the square footage of the subject home.

# Analysis of Your Current Approach

## YOU NEED TO CONSIDER

Features, amenities and condition of the **subject** home?

Features, amenities and condition of **sold** homes?

Features, amenities and condition of **expired** homes?

Seller's **financial** needs?

Market **trends** and conditions for the area?

Features, amenities and condition of the **active** homes?

Seller's **timing** need?

# Pricing Fundamentals

## Important Definitions

- **Art and Science of Pricing:** Leading Seller to the most appropriate price entry point
- **Opinion:** Unfounded speculation (agent or seller)
- **Value:** A home's worth justified by historical data
- **Entry Point:** Price that will net the most amount of money in the current market
- **List Price:** Seller's perception after review and analysis of pricing data.  
Note: The only way to change seller's perception is to involve them in the pricing process

# Pricing Fundamentals

## GOLDEN RULE

- List Price must be less than or equal to value
- If list price exceeds value, the seller's needs and/or wants are being used to justify the price. We all know the buyers don't care what a seller needs or wants

# Pricing Fundamentals



- Knowledge always rules
- There is a fundamental difference between you knowing the correct price entry point and sellers accepting it
- Sellers control pricing decisions, so just because you know how to calculate an appropriate price entry point doesn't mean your listings will sell
- The key is NOT that we can give all the answers, but rather that you can ASK great questions, which in turn lead sellers down paths of self – discovery. One of the major factors in our listings selling is if the sellers follow our logic and they take complete ownership of the appropriate price entry point

# A Proven Pricing Strategy



## THE 7-STEP PRICING STRATEGY

Step #1: Identify and gain an understanding of the value ranges that exist in the neighborhood (area)

Step #2: Test the logic using expired listings

Step #3: Determine the value range most suited for subject home

Step #4: Strategically position the subject home within the value range

Step #5: Verify the price position chosen satisfies the seller's financial need

Step #6: Analyze all homes directly competing with the subject home

Step #7: Determine the most appropriate price entry point based on timing need

# A Proven Pricing Strategy



- The 7-Step Pricing Strategy will not reveal a different end price than a typical CMA. It will, however, allow sellers a better opportunity to **self-discover** the most appropriate end price, which results in fewer objections and more win-win relationships.
- It will take a little **more** time, energy and effort on your part. However, it is the **only** approach that ensures two very important things: Arrival at the appropriate price entry point and **complete** ownership of the appropriate price by the seller.

# Determining Value (Range)



You must possess a broad working knowledge of pricing in the neighborhood and/or community!



# Determining Value (Range)

## STEP #1

Identify and gain an understanding of the value ranges that exist the neighborhood (area).

Step #1 will be the most time consuming because this is where you determine **why** homes bring certain prices. (Nots: Your **analysis** of the value ranges will be much more in-depth and time-consuming than your **discussion** of the ranges with sellers.)

The process begins by dividing the neighborhood into three basic categories

1. High Range – homes that bring the most money per foot
2. Low Range – homes that bring the least amount per foot
3. Mid Range – homes that fall between high and low.

# Determining Value (Range)

## Procedure

- Create a custom CMA report that includes the following neighborhood data:
  - ❖ Status
  - ❖ Address
  - ❖ List Price
  - ❖ Close Price
  - ❖ # Rooms
  - ❖ # Bedrooms
  - ❖ Full Baths
  - ❖ Half Baths
  - ❖ Square Feet
  - ❖ \$ per SF
  - ❖ Days on Market
  - ❖ Year Built
  - ❖ Closed Date
  - ❖ Assessment
- Sort the newly created Sold Summary Sheet according to Price/foot Sold (high to low)

# Determining Value (Range)

## STEP #2

### Test the logic using expired listings.

So far, your understanding of the value ranges is based solely on properties that have **sold**. To build further support and justification for your opinions, you must test the logic on homes that were **rejected** by buyers.

The same logic should apply to both sold and expired properties.

# Determining Value (Range)

## Procedure

- Create a custom CMA report that includes the following neighborhood data:
  - ❖ Status
  - ❖ Address
  - ❖ List Price
  - ❖ Close Price
  - ❖ # Rooms
  - ❖ # Bedrooms
  - ❖ Full Baths
  - ❖ Half Baths
  - ❖ Square Feet
  - ❖ \$ per SF
  - ❖ Days on Market
  - ❖ Year Built
  - ❖ Closed Date
  - ❖ Assessment
- Sort the newly created Sold Summary Sheet according to Price/foot Sold **Listed**
- Using the “sold logic,” determine in which range each property should have sold

# Determining Value (Range)



- Expired Listings represent the consequences of inappropriate pricing. **Most** homes expire because they were either listed in the wrong range **or** incorrectly positioned within the right range.
- Pay close attention to homes that expired and then later sold.

# Determining Value (Range)

## STEP #3

**Determine the value range most suited for subject home.**

This will be based solely on the **features** of the subject home and how it compares to the market.

# Determining Price (Position)

## STEP #4

**Strategically position the subject home within the value range.**

Most **value ranges** vary by more than \$10 per foot, so it's important to correctly **position** the subject home within the appropriate range. Just as features determine a home's range, **amenities** and home **condition** dictate its position within the range.

To determine the correct position, study the amenities and conditions of homes on the Sold Summary Sheet and the detail pages of the individual listings.

# Determining Price (Position)

## STEP #5

Verify the price position satisfies the seller's financial need.

Once the subject home has been properly positioned within the right range, check to see if the agreed upon **position** will satisfy the seller's **financial** needs. This step may entail calculating a **net sheet** for the seller.



# Determining Entry (Point)

## STEP #6

Analyze all homes directly competing with subject home.

Now that you have a justifiable price that will satisfy the seller's financial need, you must analyze the competitions.

Just because the seller's price can be justified by previously sold and expired homes doesn't mean that's the price at which the home should be listed.

**Competition** and **market conditions** determine the entry point and thus must be carefully considered before determining **exactly** where to enter the market.

# Determining Entry (Point)



## Procedure

- Create a custom CMA report that includes the following neighborhood data:
  - ❖ Status
  - ❖ Address
  - ❖ List Price
  - ❖ Close Price
  - ❖ # Rooms
  - ❖ # Bedrooms
  - ❖ Full Baths
  - ❖ Half Baths
  - ❖ Square Feet
  - ❖ \$ per SF
  - ❖ Days on Market
  - ❖ Year Built
  - ❖ Closed Date
  - ❖ Assessment
- Sort the newly created Active Summary Sheet according to **List Price**.
- Identify all homes within **same** price range as subject home.
- Review Active Summary Support Pages to compare the features, amenities and condition of homes competing with subject home.
- Determine which competing homes are contenders and which are pretenders.

# Determining Entry (Point)



You are looking to see if there are similar or better homes listed at equal or lower prices. This step also helps determine if seller should enter the marketplace.

# Determining Entry (Point)

## STEP #7

**Determine the most appropriate price entry point based on timing need.**

If the seller needs a “quick” sale, the subject home must be priced below all true competitors. If the seller has no timing need, the home can be priced more aggressively. However, it’s still advised to stay within the “realm of justification.”

# The Pricing Game Summary



Why would I list my home with you?



Because I get results!



What results do sellers want?



Sell the home!



Homes sell for two reasons



Price!



Exposure!



Are homes in MLS properly exposed?



Yes!



# The Pricing Game Summary



So why do homes expire?



Priced inappropriately!



Who determines price?



Sellers!



Do sellers have direct access to MLS?



Why do Realtors take overpriced listings?



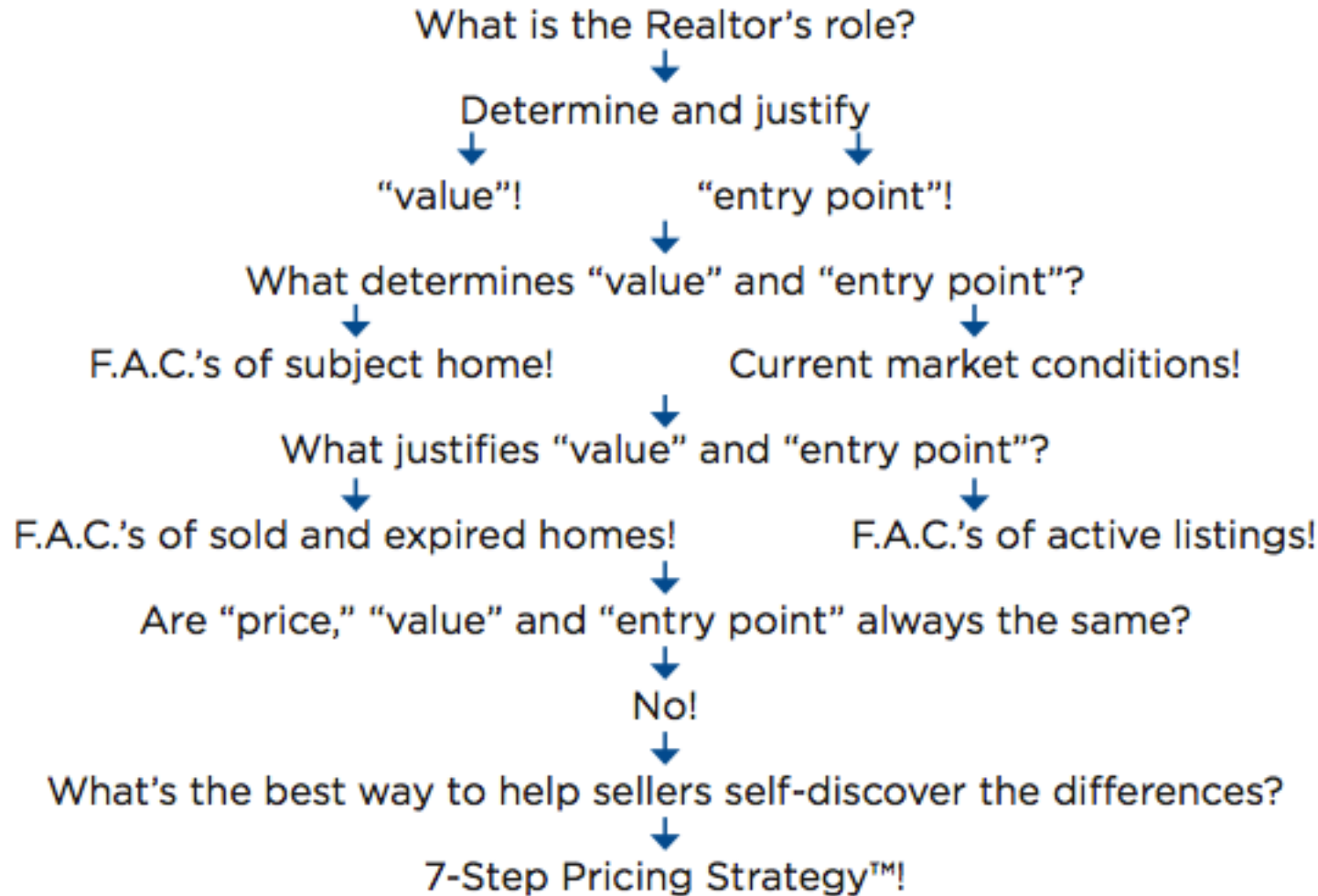
Lack of knowledge!

Lack of confidence!

Lack of judgment/care!



# The Pricing Game Summary



# Concluding Thoughts



***You don't have to be great to start,  
but you have to start to be great.***

**Joe Sabah**

SUCCESS IS A JOURNEY,  
NOT A DESTINATION

