

# Setting Price in a Shifting Market

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One of the trickiest, and most important, parts of selling or buying a home is deciding how much it is worth.

That has never been an exact science, and the unpredictability of the market in recent years has made it even less so.

Typically, real estate agents look at comparable sales, or comps -- the selling prices of similar properties in the same or similar neighborhoods.

But how far back do you look when you examine those comps? Some agents say they look to the peak of the market, about two years ago. They argue that's about where prices are now in many neighborhoods. Others say they also look at what the owners paid and when they paid it. Still others say that going back a few months is sufficient but that it might not work in some neighborhoods because few houses might have sold or prices might have varied too wildly.

Rusty Wild, an agent with Jobin Realty in Centreville, argues against going back too far because the market has changed so drastically from month to month.

"If you were to look six months back from now, you're going to catch the spring market sales, which I don't think are indicative of the market even now," Wild said. "Prices have continued to drop. Lenders have tightened their standards."

In recent years, Web sites such as Zillow.com have also become useful tools by providing their own take on property values.

"Buyers have become a lot more educated, too, even if they have a buyer's agent, because there are all these Web sites," said Sheila Leifer, an agent at Long & Foster's Chevy Chase-Uptown office.

If you're the seller, how should you go about picking a price tag? First, be realistic. This isn't 2005, when buyers were trying to outdo one another. "Every seller thinks their house is unique," said Tom Bryan, a senior vice president at Coldwell Banker Residential Brokerage. But, he said, "it's the buyers that ultimately determine the value, not the seller."

Look at prices not only for houses sold, but also for those on the market. What is your competition? You probably don't want to be the most expensive house on the block, but you don't want to give your home away, either.

"I think sellers ought to price it attractively, maybe a touch less than the most attractive property," said Sara Rubida, an agent with Long & Foster in Arlington.

Consider offering closing-cost help, free parking, prepaid condo fees and other incentives.

And if your home has been on the market for more than two weeks, you had better come up with a new plan.

"As a rule of thumb, if you're trying to sell a property and you don't get any offers and no traffic in two to three weeks, you priced it too high," Rubida said. "If you've had it on the market a month and you've had plenty of traffic and no offers, you've probably priced it too high."

If you're a buyer, agents also recommend looking at how long the property has been on the market. If it's been more than a month, "you can be a little more aggressive," Leifer said.

As a buyer, once you've look at similar properties and days on the market, start scrutinizing the house.

Is it a resale or new construction? Where exactly is it? Have there been any improvements? Do the bathrooms and kitchen need work? You should adjust the price offer up or down depending on the answers.

When the time comes to make the offer, you have to decide whether you're going to go over or under the asking price.

There's no doubt that since the real estate downturn, buyers have controlled the market in most neighborhoods. "Nowadays, everyone seems to come below asking price," Rubida said.

But how far below? "There's no such thing as a ridiculous offer out there anymore," said Marty Resnick, an agent with Re/Max 2000 in Rockville.

But there are guidelines. For example, Wild said he likes to offer within 15 percent of the asking price. "In my opinion, everything on the market is probably overpriced by 7 to 10 percent," he said, because of how fast prices escalated during the boom years.

Bryan said that if the research supports it, you can go 8 to 10 percent below, but he also said sellers tend to be more willing to negotiate if the offer is about 6 percent below.

Some agents caution against starting too far below the asking price.

Randy Morrow, an agent with Keller Williams Realty in Arlington, prefers not to go more than \$20,000 below. "To me, anything over \$20,000 below the asking price is not a fair offer," he said. "I think if it's anything below that, it gives the impression to the seller that they're trying to get something for nothing. And when you put that in the seller's head, that they're trying to take you, then the seller quite often just digs their heels in and says, 'We don't want to negotiate with these people.' "

"It's a buyer's market, but everyone wants to be treated fairly," said Leon Bailey, an agent with Exit Powerhouse Realty in Lanham.

Some agents said their clients are willing to pay at or close to asking price as long as the seller gives them a subsidy, such as closing-cost help.

Keep in mind, though, that there are some neighborhoods that are not buyer's markets. Multiple offers are not uncommon in these hot neighborhoods, which include Chevy Chase and Bethesda.

"Many, many neighborhoods are more sought-after than others," Wild said.