

The Puzzle of Pricing

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Setting the right price for a home can be an angst-ridden process.

So many factors are beyond the seller's control. There are the number of competing homes on the market to consider, the motivations of the sellers who own them and perhaps an uptick in foreclosures that might drag down prices in some areas.

That makes it critical to scope out the competition: homes that are on the market in your neighborhood when you're ready to sell, as well as comparable homes that have recently sold. That's what will determine how much a house sells for, not what you paid or what your neighbor got three years ago.

Traditionally, sellers and real estate agents have used comparable sales dating back six months. But the market is so fluid now that many agents say examining a three-month window is more realistic.

"The value of a home is determined by what else people can buy when they're ready to go shopping," said Jane Fairweather, a [Coldwell Banker](#) agent in [Bethesda](#). "Value is a moment in time. It's that simple."

That's what Fairweather had in mind when she suggested that Joe and Sharon Lubers list their four-bedroom Colonial in [Rockville](#) for just less than \$800,000. The couple settled on \$799,000.

Fairweather told the Lubers that house hunters tend to group prices in \$50,000 increments. She wanted to target the \$750,000-to-\$800,000 range because going higher probably would have heightened expectations for amenities. In the Lubers' neighborhood, houses in higher price brackets typically have new kitchens or bathrooms. The Lubers' home does not.

"This was a trade-off price range," Fairweather said.

Thirty days later, the Lubers dropped the price by \$50,000.

By then, 68 potential buyers had passed through the house and 6,610 had viewed it at [Realtor.com](#). But none had made an offer. Meanwhile, five similarly priced homes had sold in the neighborhood.

"From the feedback we were getting, everyone said: 'The house is beautiful. The curb appeal is great. But your kitchen is tired,'" said Joe Lubers, 65, chief financial officer of a law firm. "People come in, and they don't want to lift a finger to do anything themselves. It's tough out there."

Given that another 21 houses in the same price range remained on the market, Fairweather told the Lubers they needed to target buyers in the next lowest price bracket -- \$700,000 to \$750,000 -- if they wanted to sell swiftly.

The Lubers are empty nesters who are eager to downsize. They have already bought a newly built condominium that should soon be ready.

"I pointed out to [the Lubers] that five buyers had a chance to buy their house but chose to buy something else instead," Fairweather said. "By looking at what sold, you can pretty quickly figure out what your house did not have that caused it not to sell. Whatever it is, you can correct it with price."

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That's when the Lubers dropped the price to \$749,717. They wanted a standout number, hence the "717," which Sharon Luber considers lucky. The Lubers also painted the kitchen, installed granite countertops and refurbished the cabinets.

"The thing the seller has to know, especially after 30 days of feedback, is that there's a difference between price and value," Fairweather said. "If the buyer is not making an offer, then the price does not reflect value. Sellers can't control value. They can want it, wish it, demand it. But they can't control it."

The competitive pressures can be worse with condominiums because the location factor is neutralized, said Dan Melman, an agent at Long & Foster's W.C. & A.N. Miller subsidiary.

"At least with houses, you can say this block is different than that block," Melman said. "But with condos, potential buyers can see another home just like yours two doors down or two buildings down. They will have several things to compare at the end of the day."

Denise and Steve Newman worked with Melman when they listed their two-bedroom, two-bath downtown D.C. condo for \$535,000 in June. A unit on a lower floor overlooking the garage had just sold for \$505,000, about \$5,000 more than the asking price. The Newmans figured that their sixth-floor unit, with its more scenic view, could do better.

They were wrong.

"What we didn't realize was that the sale was an anomaly," said Denise Newman, 40, a legal secretary. "It was the last of the good sales in the building."

The couple's first open house attracted a crowd, she said. Nobody showed up at the next open house a few weeks later. Newly built, more expensive buildings nearby were luring away potential buyers, she said.

The Newmans lowered their price to \$520,000 and received what she described as an "insultingly lowball offer." They tried to work with it, but it fell through. They then dropped the price again, this time to \$499,900.

"We looked at the competing condominium projects that were dumping hundreds of units on the market, and we needed to be out in front of it," Melman said. "We'd like more, but we have to be realists."

The Newmans want out because they have two boys, 4 and 2, and they said they've outgrown the condo. Their oldest son, Wilson, is nearing school age, and they are eyeing Montgomery County schools.

The couple took their home off the market in December because "it was a lot to keep the condo in show condition with two kids," Denise Newman said. Also, the prime selling season was well behind them by then, and the credit crunch was making it more difficult for prospective buyers to line up loans.

With a new selling season beginning, the condo is repainted and back on the market, still at \$499,900.

Denise Newman said the price cuts have been palatable only because home prices in the Montgomery neighborhoods they're interested in also have dropped.

"We're getting shortchanged here," she said. "But we'll make up for it on the other end, hopefully."

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