

## Critical Statistics

The **selling-price-to-asking-price ratio** is one of the most important statistics available about today's market. The greatest usefulness of the ratio, which will be expressed as a percent, is in determining what the asking price should be, once the fair market value is known. In other words, the ratio tells how much "fat" is required in the asking price, on the average. Sellers and buyers alike are usually surprised to find the ratio so high. It is often above 96%, even in buyers' markets.

For example, if the ratio were currently 96% then the asking price would be set about 4% over the fair market value. This price should bring an offer that you and your agent can expect to negotiate to be within 1 or 2% of your asking price. When the plan is executed properly, you will do significantly better than the average. Alternatively, with the price too high there will be no offers to negotiate. In sellers' markets, the selling-price-to-asking-price ratio might be greater than 100%. But in the absence of compelling information to the contrary, you can obtain your asking price by adding 4% to the expected contract price in almost any type of market.

Another way to interpret a 96% selling-price-to-asking-price ratio is that the average home does not obtain a viable offer until it is priced within about 4% of fair market value. Click here for [related thoughts](#).

To verify the current selling-price-to-asking-price ratio, ask your agent to run 200 or more recent sales at random out of the MLS database of sold homes. Data can be limited by type of home (for example, detached) or price range. It is important to have 200 or more individual sales. Divide the total of all the selling prices by the total of all the asking prices to find the selling-price-to-asking-price ratio. Ask your agent to perform a search tailored to your needs. Did any individual sellers obtain more than their asking price? How does this happen?

The selling price to asking price ratio represents critical information about your local market; do not rely on a guess or the 96% figure noted in the above example. It is so easy to obtain an exact, up-to-date reading. Ask your agent now.

**Self-sold listings** occur when the listing agent marketing the home, also finds the buyer. In this case, the listing (seller's) agent is also the selling (buyer's) agent. This frequency, when compared with how often the listing agent is not the selling agent, gives an idea of the overwhelming effectiveness of the MLS in finding buyers.

The proportion of self-sold listings is not valuable as an agent selection criterion because results for individual agents will

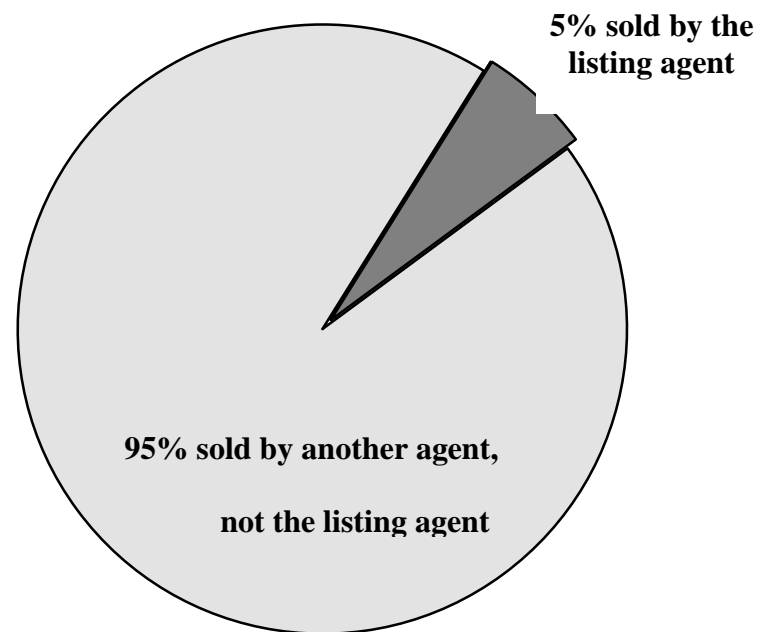
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very likely not yield major differences when analyzed statistically. As a seller, your prime concern is with obtaining a suitable contract, not with *who* finds the buyer. Besides, the MLS is always the winner by a wide margin. The overwhelming likelihood that your buyer will be found through the MLS means that:

- ◆ The information entered into the MLS database for your home is of critical importance to you and should be reviewed carefully.
- ◆ Your agent's computer literacy is crucial for entering your listing.
- ◆ Your listing agent will seldom show your home to a prospective buyer. Therefore, view your agent as a **marketer**, not a salesperson.
- ◆ Your listing agent's person-to-person selling skills and firsthand knowledge of your area will usually be of no importance and therefore should not be a primary agent selection criterion.

The self-sold listings that do occur are usually the result of the sign on your property, or third-party (Zillow, etcetera) listings on the web.

Agents sell their own listings much less than 10% of the time. The buyer comes from the MLS through another agent in way more than nine out of ten sales! This is shown graphically below.



To verify this statistic, ask your agent to run 200 or more recent sales at random out of the MLS database of sold homes. It is important to have 200 or more individual sales. Prepare a columnar report showing the listing agent and the selling agent of each property. The listing and selling agents seldom will be the same.

*This series is excerpted from David Rathgeber's SELLING YOUR HOME in the Washington, DC Metropolitan Area Copyright © David Rathgeber. All rights reserved.*

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