How to Price a Home in Toronto's Fall Market

Sellers need to lower expectations and price homes based on location, age and condition

Location and price – that's what gets buyers' attention. And, since you can't change your home's location, you'd better price it right.

"After location, price is what drives them to read the description, look at the photos and then book a viewing," says Doug Workman, who runs Hughes Workman Realty, Keller Williams, with partner Julie Hughes. "Price it too low or too high and prospects are wondering about the story behind that price."

As Hughes and Workman describe it, pricing is a "bit of a crude science", while Lizanne Dobson, representative, Keller Williams Neighbourhood Realty, Toronto, considers it "somewhat of challenge due to the many variables". All three note that ultimately, only the seller and buyer determine the price with all buyers valuing the homes from their unique perspectives.

Interest rates are up very slightly, but the economy remains strong and the number of listings has been rising dramatically. These are just a few of the reasons prices have been dropping since March 2017, but are still up over 2016 and 2015. Consider the 7,865 active listings in March 2017 compared to the 18,751 in July, assess the 2016 and 2015 listings, then accept that this fall, prices are likely to be in line with summer, not spring, 2017 levels.

In most instances, savvy agents and their clients focus on the most immediate comparables, typically several months to weeks prior to the planned listing date. However, post spring 2017, they'll also need to consider 2016 to determine a price that's appealing and realistic in the current market.

The onus is certainly on listing agents to explain that this fall a home is likely worth hundreds of thousands of dollars less than it was in spring 2017. Sellers that insist on listing too high may find their homes sit on the market until they drop the price or relist the home. Ask yourself what message you and your realtor are sending if that's your strategy. Think about how buyers will react if they see your home reappear at a lower price in a listing that looks just a little different than the first one.

"Consumers have a short attention span and serious buyers are constantly watching for new listings so we get the best results when it's first posted – usually the first week or two, but that also depends on the product," says Dobson.

Keep in mind that beyond location, the age and condition of your home affect supply, demand and pricing:

Original (an old home with few if any renos): Price it aggressively and be sure it's spotlessly clean. It usually sells quickly because it's affordable for first-time buyers, and sought after by builders and home flippers.

Updated (maintained home with often extensive renos from 12+ years ago): These houses can be the most challenging to price because they are perfectly livable and in good shape, but dated. Price them realistically knowing buyers will want to renovate. Staging is critical to update the look as much as possible.

Renovated (renos within five to 12 years, house still looks modern and stylish): Price above the area's average, because buyers will pay a premium for a home in move-in condition.

New (on trend, never lived in): Price based on the cost of the land, construction and the builder's margins plus the premium buyers will pay to "live the dream". These homes usually sell relatively quickly, if the premium isn't too rich and the house is on trend. If not well built, the floor plan is impractical or the finishes and colours are off, it will be on the market longer because consumers perceive it as overpriced when they see it as needing changes.