THE KINDERHOOK GROUP, INC.
REAL ESTATE

The Price Is Right, or Is It?

New York's Cambridge Valley offers real estate investors a valuable combination of beautiful vistas, reasonable prices and the amenities of nearby cities.

The region's reasonable prices remain, for now, despite upward pressures from Saratoga, Albany, Columbia County and Manchester, VT.

Compounding these upward price pressures are residential mortgage rates, which "are returning to near 30-year lows," according to *The New York Times*, with a recent national average low of 5.61 per cent.

While homeowners may see this situation as a selling opportunity, additional statistics may prevent an onrush of euphoria.

According to the most recent statistics for the Capital Region, new residential listings increased 18 per cent and sales prices increased 14 percent. However, the "number of residential closed sales" declined 6 percent. [Source: Greater Capital Association of Realtors: April 2005 to April 2004.]

One conclusion you can draw from these statistics is that homeowners---seeing lower interest rates and higher asking prices---are rushing to post "for sale" signs in their front yards.

Buyers, however, seem not quite as enthusiastic, and wonder whether "The price is right, or is it?"

The conclusion is that reasonable and appropriate pricing of property is critical.

Overpriced properties do not sell quickly. They become widely known as just that, overpriced; they accumulate high numbers of "Days on Market;" and make potential buyers wonder, "What's wrong with this house?"

Unfortunately, the property's only failing may be its price, rendering it uncompetitive.

In setting a realistic price, location is important, but it is not everything. Other major pricing factors include "curb appeal," architectural style, construction quality, age, interior décor, neatness, condition of mechanical systems and taxes.

This combination of variables sets the realistic offering price, which is different from the "I love it" price. Realtors® should use one or more of the following four methods to determine that number.

- **Cost estimate:** Seeks to establish the cost of materials and labor required to reproduce or replace a property.
- **Market value:** Estimates price based on analysis of comparable sales and other data.
- **Market price:** Sets a price for a property at something less than market value, which may occur with the last home in a development. However, once sold, the value of that house will likely become greater than the price for which it sold because no more houses are available in that area.
- **Income capitalization:** This approach is used if a property has commercial possibilities; it estimates real estate value by analyzing income potential.

Pricing property is neither science nor alchemy. However, it does require insight, work, and a dispassionate analysis of facts---especially in today's heady markets.

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