The Price **IS** Right

Pricing homes in a fast-paced housing market

Meg Boland, Pricing Consultant
Kings County Washington

Agenda

Why Pricing Matters
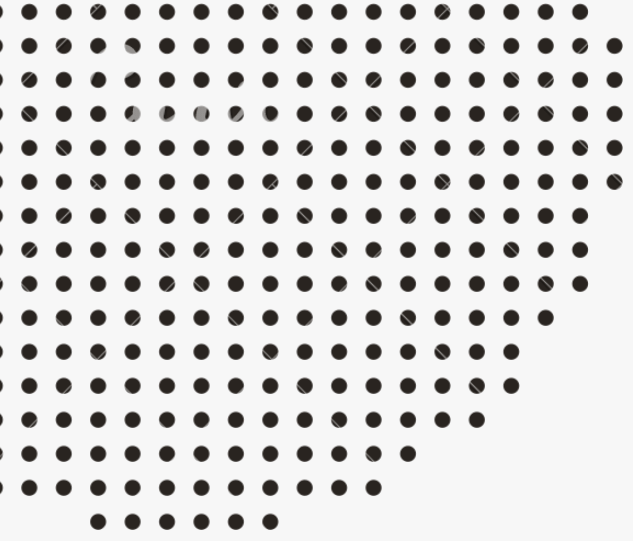
Fast Paced Market

Average time on market:
5 Days

Buyer Attention

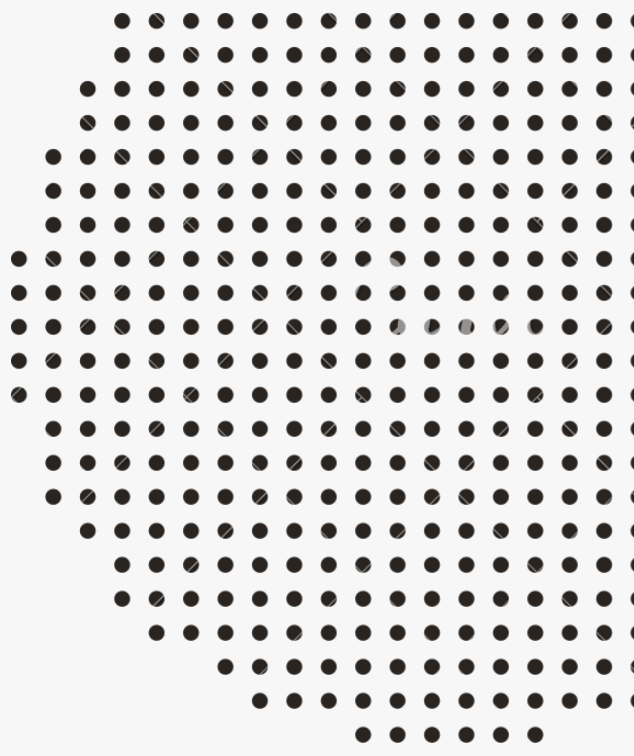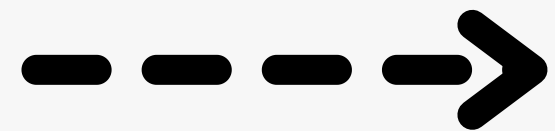Overpriced = Overlooked
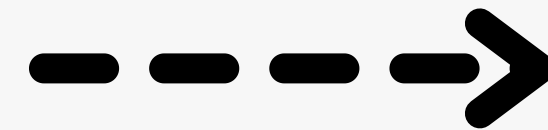
Agent Reputation

Underpriced = $$ on Table

Source: Redfin

Determining Housing Price:

Data-First Approach

-21,000 + Observations

-10 Housing Characteristics

-Kings County, Washington

- - - - → 5 pricing models

- - - - →

Best pricing model

Key Characteristics

1

Square Footage of Living Area

2

Waterfront Property

3
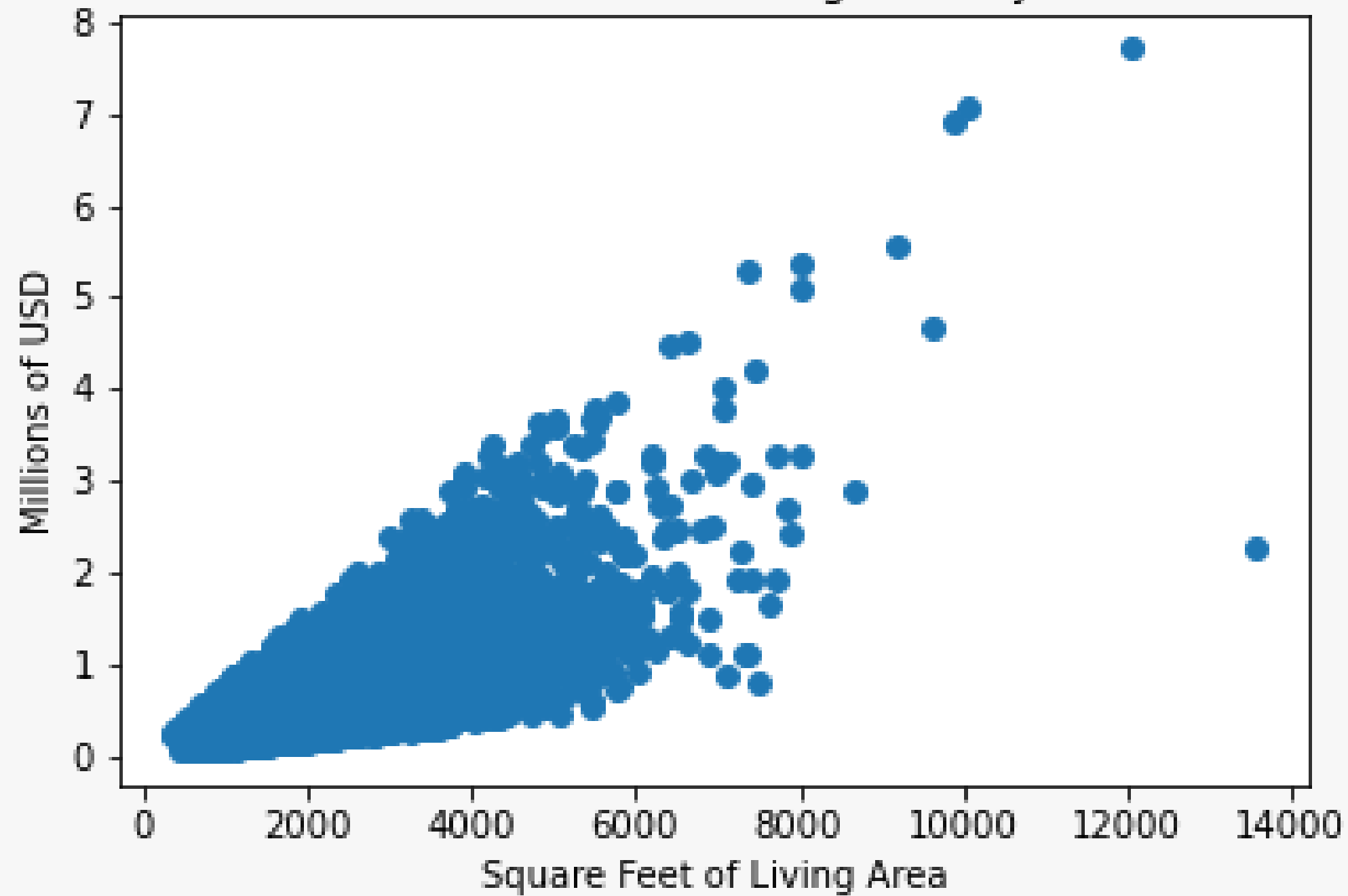
Square Footage of Living Area per Bedroom

Sale Price
&
Square Footage of Living Area

Housing Prices Based on Square Footage of Living Area (FY 2014-2015 in Kings County)
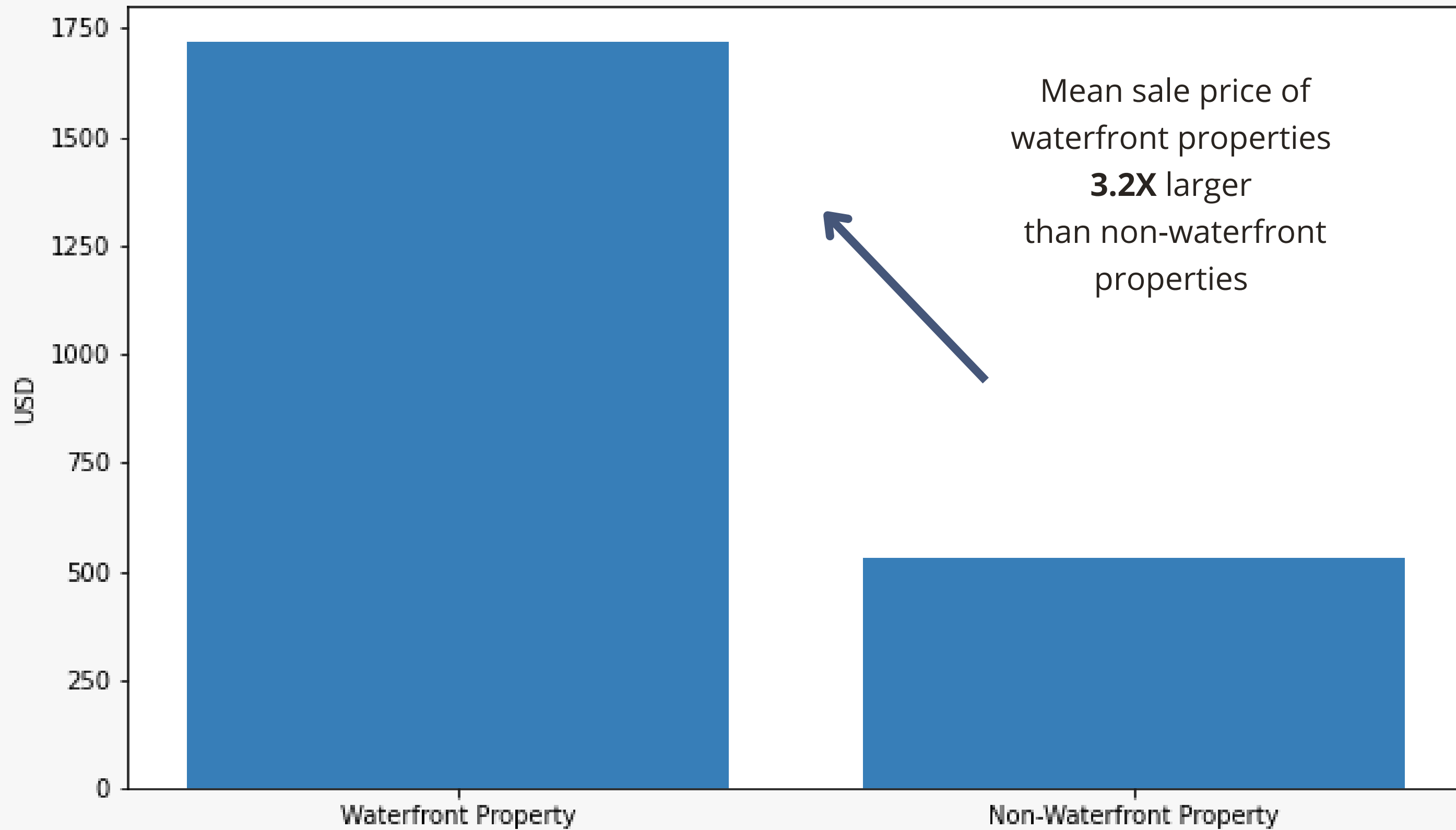
1% increase in square footage leads to a 0.84% increase in price.

Sale Price
&
Waterfront Property

Mean Price Values for Houses

(in thousands USD)

Mean sale price of
waterfront properties
3.2X larger
than non-waterfront
properties

Sale Price
&
Square Footage Living Area per Bedroom

	Bedrooms	Square Footage	Price
House 1	4	2950	$650,000
House 2	4	1680	$485,000

Square Footage per Bedroom Correlation with Price: **0.573**

	Basic Model (Square Footage)	Model with Key Characteristics
Explains overall variation in price	Low	Improved
Effect of Square footage on Price	Overstates Effect	Lessens Effect
Accounts for other features	No	Yes
Price Estimation Errors	Higher	Lower

Prices vs. Predicted Prices
(From Best Model)

RSME: 252991
R^2: .497
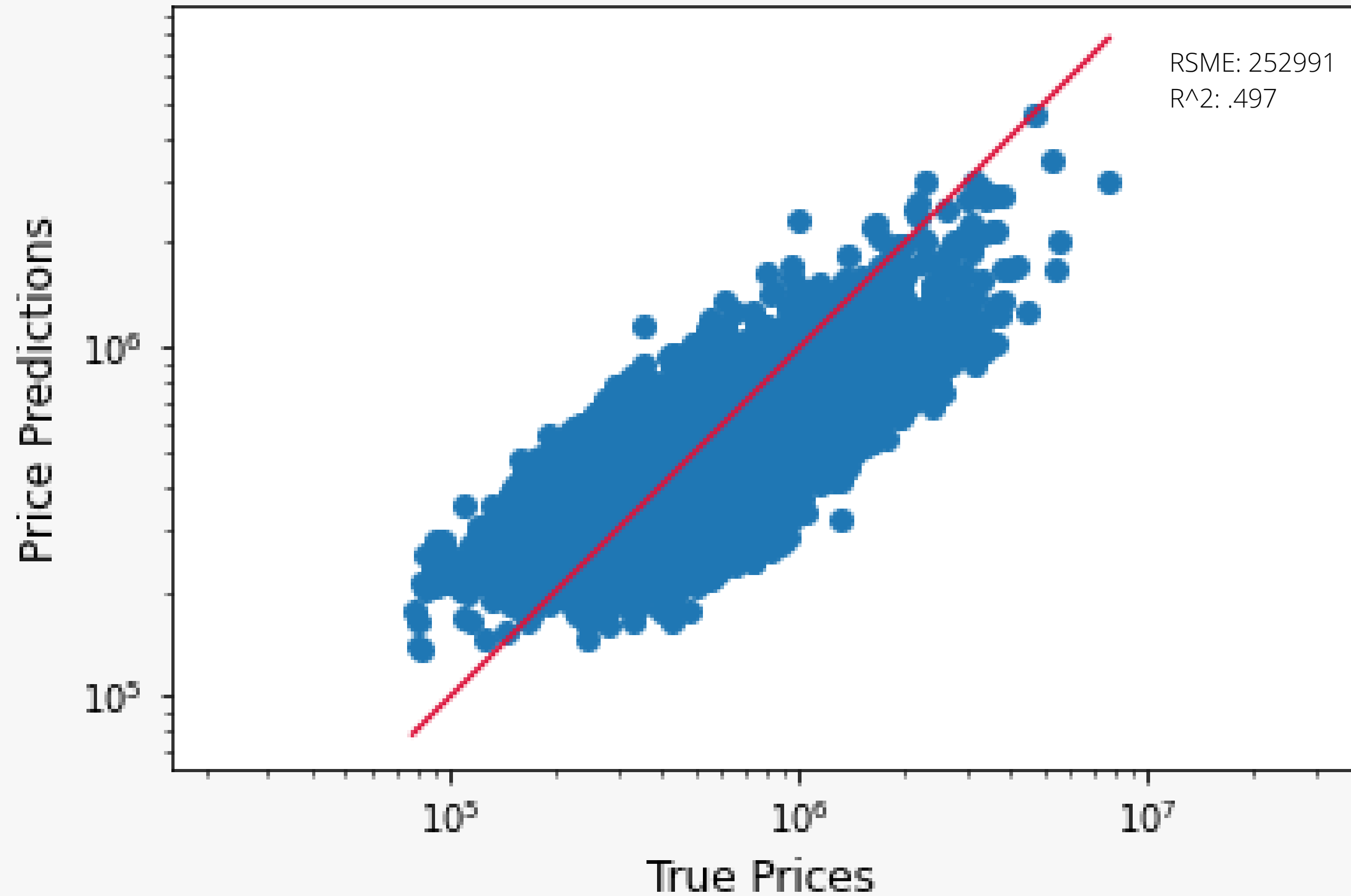
Limitations

- Relatively low R^2
- Multicollinearity cocerns
- On average, model off by $252,991

Next Steps

- Analyze other housing charcteristics
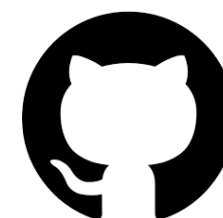- Distinctions between waterfront properties

Thank you!

Questions?

LinkedIn

GitHub