



## **Know the Market before You Buy**

The asking prices of most homes listed indicates the current state of the market, and usually mirrors the prices for which other similar homes in the area have recently sold. In deciding upon a selling price, a home-seller must establish a balance between the desire to draw the highest offer and finding a price that will be reasonable enough to attract an appropriate pool of prospects (and competitive offers). While most selling agents counsel their clients to consider this equation when pricing their home, keep in mind that some homes are not properly priced.

It's important to educate yourself about the current market before approaching the purchase of a home. The market will always influence a property's value, regardless of the state of a home, or its desirability. Here are the types of market conditions and how they may affect you:

### **Seller's Market**

A seller's market is considered a "hot" market. This type of market is created when demand is greater than supply—that is, when the number of buyers exceeds the number of homes on the market. As a result, these homes usually sell quickly, and there are at times multiple offers. As a buyer, you need to consider that homes may sell above the asking price; in other words, you may have less room to negotiate, and may encounter competing offers. Though most buyers want to get a home for the lowest price possible, reducing your offer could mean opening the door for another buyer instead.

### **Buyer's Market**

A buyer's market is a slower market. This type of market occurs when supply is greater than demand, with the number of homes exceeding the number of buyers. Historically, the market is considered a buyer's market when new listings exceed sales by a ratio of 5:1 – which occurs very infrequently. During this period, properties are more likely to stay on the market for a longer time. Fewer offers will come in, and with less frequency. Prices may even decline during this period. As a buyer, you will have more selection and flexibility in terms of negotiating toward a lower price. Even if your initial offered price is too low, the seller will be more likely to come back with a counteroffer, so you can begin the process of negotiation.

### **Balanced Market**

In a balanced market, supply equals demand, with the number of homes on the market roughly equal to the number of buyers. When a market is balanced there aren't any concrete rules guiding whether you should make an offer at the higher end of your range, or the lower end. Prices will be



stable, and homes will sell within a reasonable period of time. You will have a decent number of homes to choose from and may encounter some competition for offers on the home of your choice, or none at all.

Before you make an offer to purchase a home, it's important to establish whether the current market is a buyer's, seller's, or balanced market. It's just as essential to evaluate the sale prices of similar properties in the area, and the length of time these properties spent on the market. Determining how the home you're considering compares to other sales gives you a strong bargaining position. Is this one over-priced, under-priced, or a fair price? By establishing this information prior to making an offer, you will be in a position to negotiate the best (and most accurate) price for the home.



Keep in mind, a realtor is trained to provide clients with this information about the market, helping you make the most informed decision possible. We will guide you through the ups and downs of each market condition and keep you up to date with the types of changes you might expect.

The other main factors that affect market value are:

#### **Location:**

The proximity of the home to amenities, such as schools, parks, public transportation, and stores will affect its status on the market. Also, the quality of neighborhood planning and future plans for development will influence a home's current market value, as well as the ways in which it might change moving forward.

#### **Property:**

Maybe the most obvious, but the age, size, layout, style, and quality of construction of the building will all affect a property's market value, as well as the size, shape, seclusion and landscaping of the yard.



### **Condition of the Home:**

This includes the general condition of the home's main systems, such as the furnace, plumbing, electrical system, etc., as well as the appearance and condition of the fixtures, the floor plan of the house, and its first appearances.



### **Comparable Properties:**

Examine the selling and asking prices of similar homes in the neighborhood and review a general market analysis of the neighborhood you're interested in - so you can determine a range of values for a particular property. A market analysis will provide you with a market overview and give you a glimpse at what other similar properties have been selling for in that area.

### **Market Conditions / Economy:**

The market value of a home is also affected by the number of homes currently on the market, the number of people looking to buy property, current mortgage rates, and the condition of the national and local economy.