



How to Set an Offer Price

There is no set equation to determine how you'll reach an offer price. Rather, the process involves a range of research and comparison that will vary with each situation. It's important to look at the sale prices of comparable properties, and factor in additional data such as the condition of the property, the current market, and the seller's circumstances (if this is made available). With this information in hand, you will be able to determine a fair price range and, from there, establish the price you're willing to offer.

Concentrating on the following areas will help to determine an offer price:

Comparable Sales

- Compare prices of homes that are similar to the property you're considering in the following areas: number of bedrooms and bathrooms, square footage, lot size, type of construction, and garage space.
- The most comprehensive and in-depth information can be accessed through the sales data found in the Multiple Listing Service (MLS). I can help you navigate through this information and help you to set your offer price.

Property Condition

- Observe how the property compares to the rest of the neighborhood. Is it average, above average, or below average?
- Look at structural conditions: walls, ceilings, windows, floors, doors.
- Pay close attention to: bathrooms, bedrooms, condition of plumbing and electricity.
- Also check the fixtures: light switches, doorknobs, drawer handles, etc.
- What is the condition of the front and back yards?

Home Improvements

- Cosmetic changes can be largely ignored, but any major improvements should be taken into account
- Take special note of room additions (especially bedrooms and bathrooms)
- Items such as swimming pools may be taken into account, but usually won't affect your offer. These are items that appeal to some buyers but are a detriment to others.



Market Conditions

- *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 buyer's exceeds the number of homes on the market. As a result, homes in this market usually sell fairly quickly, and there is a higher potential for multiple offers. Homes may sell for above asking price.
- *Buyer's Market:*
 - A buyer's market is a slower market. This type of market occurs when supply is greater than demand, 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. Properties are more likely to stay on the market for a longer period of time. Fewer offers will come in, and with less frequency. Prices may even decline during this period. Buyers will have more selection and flexibility in terms of negotiating toward a lower price.
- *Balanced Market:*
 - In a balanced market, supply equals demand, the number of homes on the market roughly equal to the number of buyers. Prices will be stable, and homes will sell within a reasonable period of time. Buyers will have a healthy number of homes to choose from, so sellers may encounter some competition when it comes to offers on their home, or none at all.

Comparable sales information helps you establish a price range for the home you're interested in. Adding in the additional factors mentioned above will help guide your decision of whether you consider a 'fair' price to be near the upper or lower limit – or the middle of that range. Keep in mind, this price should be one you'd be happy with once all negotiations are said and done. The price you decide to begin with depends on your particular style of negotiation.