

How Do You Decide What Price to Offer

Negotiating the price to be paid for any given home is a classic battle: the Seller wants the most money possible and the Buyer wants to pay the least possible. Buyers almost always think the listing price is too high, and Sellers almost always think the Offer is too low. Then we have to factor in market trends: prices going up or down? ... for instance.

Years ago, when the real estate market was in the doldrums, Buyers rarely made full price offers. Today, in certain areas where the market is particularly active, offering full price might not be enough if there are several other Buyers vying for the same property. It's important to have an understanding of the market conditions at work in the area where you want to buy if your aim is to make an Offer that will lead to the successful negotiation of a home purchase. If your initial bid price is too low, you can risk losing the property to another, better-educated Buyer who's knowledgeable about current market values. Or you could risk "insulting" the Seller with such a low initial bid price that you then have difficulty negotiating with them at all.

As an example, I can remember one Buyer who started with an initial bid price that was 12% lower than the listing price, even though the home had been on the market for less than one week and the home was one that he very much wanted to purchase. This was a few years ago, when the local market was still recovering from the last recession and Buyers routinely expected Sellers to make substantial price concessions. The Buyer saw no harm in asking for a large discount off the Seller's listing price, even though the property was newly on the market. The Seller was so enraged by what he felt to be an insultingly low offer that he threw the Buyer's agent [that would be me!] out of his home and refused to respond to the Buyer's offer, even when we came back with a more reasonable one. This is an extreme example, granted, but it's very common for a Seller disenchanted with a Buyer's initial bid price to counter back at a higher price that he might have with a higher initial bid. If you think a particular property is over-priced for the market, and you absolutely require a substantial price discount, you might be better waiting until the property has been on the market for awhile.

TIP: Before you make an Offer, ask your agent IF and for how much listing prices on similar homes in similar neighbourhoods are being discounted when they're sold. Although any given home can, and often does, deviate from the norm, this type of information is essential in arriving at a good pricing decision. For instance, if similar homes in similar neighbourhoods are being sold within 2% of the listing price, and you feel the home you're interested in is well-priced, you might offer 4% below listing price – leaving a little room for negotiation.

Another variable to take into account is how long the property has been on the market. If the home is newly on the market, and there is a lot of interest from other Buyers, and you want the property, you should be more aggressive with your initial bid price than you would if the property had been on the market for months with little interest. A big problem facing

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today's Buyers who are attempting to buy in a strong Seller's market is how much OVER, not under, the list price to offer when there are multiple offers on a home. There is no magic formula here that will guarantee results every time. Your best bet is to base your Offer on the same sorts of market data you would use to arrive at a price in any market. Find out how much over listing price similar homes have been selling for and make your Offer accordingly. When you're up against formidable competition, be prepared to make your initial bid price your best Offer. You may have only one chance to attract the Seller's attention.

It's essential that you set limits so that you don't pay more than you can afford, or more than the property is worth.

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