

Step 6: Understand the local real estate market

The key to buying satisfaction is to pay what you think is a reasonable price for a home given the local market. In order to understand what that reasonable price is, you have to research the market. The easiest way to do this is to start touring houses for sale in your neighborhood of choice.

Check the Internet or your local media for house listings. You know what you can afford, therefore, you know what homes for sale you might be able to purchase. Some real estate offices will give you a printout of home sales in the area for the past six months or a year. Go to open houses and check out the quality and extent of interiors, appliances, fixtures, and rooms. As homes sell, find out what the selling price is. If prices are not readily available from a knowledgeable neighborhood resident or real estate expert, you can find out sale prices from the local city or county recorder's office. If you look up the property, the deed should show the selling price. The more houses you see, the more educated you will become about what constitutes reasonable sales prices.

When you first start looking for a house, don't limit yourself. You never know what you might find in places you did not expect to look. Keep a map handy to keep track of where you have been. If the map is detailed enough, it refers to neighborhoods that will be referenced in real estate ads that you see.

If you are working with either a buyer or seller agent, s/he generally determines what kind of home you want, screens properties, and schedules appointments or parts of days to take you around to various houses. A buyer broker will point out elements of each property that are important to you, good or bad. A seller agent will naturally point out every good element. However, s/he will only refer to problems if s/he is required by law to disclose them.

If you are working without an agent, you first want to look at some houses to get an understanding of reasonable prices in the neighborhoods you search. You won't be able to submit an intelligent offer unless you recognize the pattern of home sales in your area. As you begin to understand market values in your neighborhood of choice, you will start to recognize whether you are looking in a **seller's market** or a **buyer's market**.

In a seller's market, houses are advertised for sale and sold very quickly. Houses sell very close to asking price; sometimes they sell above asking price as multiple buyers bid up the property. Sometimes homes are not advertised at all; word of mouth creates demand and a house is quickly sold. In a seller's market, pay attention; you might hear of a house for sale before it is actually placed on the market. You could obtain a house before it's advertised.

There is not much time to act in a seller's market. You must submit as competitive an offer as possible and have an attorney and inspector ready to work with you if your offer is accepted.

Keep in mind, though, that just because it is a seller's market does not mean that every house sells at or above asking price. The quality and condition of the home are still important factors in determining its ultimate sales price. If the owners overprice a house, it won't sell at asking price. Be smart when choosing an offer price in a seller's market. While you still may pay more than if it were not a hot market, you don't have to pay more than the property is really worth.



You have a little more latitude in a buyer's market. Indicators of a buyer's market include

- homes on the market more than three months
- homes selling for below asking price
- homes selling at or below last year's prices

In that situation, you probably have more time to thoroughly review a house and submit an intelligent offer. If houses are not moving, sellers will be eager to make a deal. You may be able to receive significant financial incentives to purchase a house. A seller may pay some closing costs, s/he may pay some points on your mortgage, or s/he may even finance part of the purchase.

Home prices might be different depending upon what part of the year you conduct your search. The most active period for home sales is April, May, and June as people search for houses in time to move during the summer. Therefore, you can expect prices to be the highest in that timeframe. Mid February through March is considered by some to be the second most active selling period. Demand drops some in July and August as people take vacations. September and October represent reasonable activity. Demand drops further in November as people prepare for holidays and the end of the tax year. It is toughest to sell houses from November through January because relatively fewer people are looking. You might be able to find some good deals during periods of low demand.



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