

BUYER'S HOW YOU CAN KNOW WHAT A FAIR OFFER WOULD BE ON A HOUSE YOU WANT OT BUY?



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By Bill Crumbaker•

One of the questions I get most often from buyers is, what should I offer on this house? Most buyers are really surprised when I tell them there is a very easy way to know what a fair price would be. I believe it is very important for an agent to be able to explain market conditions to his clients and if he can't explain the market satisfactorily the client had better consider hiring another agent that can.

The common way to determine whether your offer is fair would be able to look at recent sales and pending prices of recently sold homes.

A better way to see if your offering price is fair is to look at the absorption rate for the price range and area you are buying in which will really show the current market conditions for that area and price range.

Let's say you are looking to buy in the \$500- \$550,000 price range in area 340. The absorption rate is how many houses are selling on a monthly basis and it will show us that say in the last 3 months 30 houses have sold. That means 10 houses are selling on a monthly basis. It will also show the

the **list to sales price ratio** which tells us what the average seller is getting versus his listing price.

In a strong buyer's market, the seller may be getting 103% or more above their list price. In a strong buyer's market, they may be getting 97% or less of their list price.

As you can see the absorption rate can tell us what is really happening in our current real estate market. It will also tell us what the average days on market are for that price range and area. **Bill's law of diminishing returns** states that the longer a seller's home is on the market the less he will get for his home. The reason this is true is that the longer the house is on the market, buyers begin to think that the reason for the house not selling is that it is either overpriced or there must be something wrong with the house. **This buyer stigma** will cost the seller a lot of money and by knowing the average days on market it may create an unusually good buying opportunity for you, but only if your agent knows how to use market conditions and statistics to your advantage.

