

PRICING FOR THE MARKET

It's an unusual marketplace this last two or three years. I have seen many pricing inconsistencies. Time after time I see three houses selling for a value I'd expect and a fourth going for a higher price. Sometimes that higher sales figure is fairly significant.

So, what creates these irregularities? Most often, when a house gets a better price, it's timing. It occurs when on a particular day that a buyer is buying, the competition has changed in the seller's favour. I'll explain further. Picture the buyer out looking at homes on a certain day or week. If there happens to be three or four suitable homes in that buyer's price range, then the buyer can put an offer on the one that is the best value. In other words, they have the opportunity to buy the lowest priced one. But, if the buyer is looking and there is only one suitable home, then the seller is in the enviable position of being able to achieve the unusually higher price. The buyer is compelled to pay the seller's asking price or close to it, even though the buyer knows recent sales have shown somewhat lower values. The only other choice that buyer has is not to buy at that time. But, sometimes buyer's circumstances are such that they cannot wait. They may have to vacate the home they've sold by a certain date, or they may be starting a new job and are new to town, needing to get settled etc, etc. Sometimes a buyer simply likes a certain home so much that they will knowingly pay more than market value, just because they don't want to miss the opportunity.

How do sellers know when they are in this strong bargaining position? Their realtor normally updates them at the time an offer is received.

But, how does the buyer manage to differentiate between a genuine price increase vs. a temporary blip in the seller's competitive position? The answer is, they likely cannot do it themselves. They must consult their realtor. Their realtor has ready access to all the current sales data. That realtor can look at other price ranges and all the most recent sales and see the broader picture. A competent overview will soon reveal if the seller's price is an isolated case or a reflection of another increase in the market values.

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