

Determining Your Offer Price

When we prepare an offer to purchase a home, you already know the seller's asking price. But what price are you going to offer and how do you come up with that figure?

Determining your offer price is a three-step process. First, we look at recent sales of similar properties to come up with a price range. Then, I will analyze additional data, such as the condition of the home, improvements made to the property, current market conditions, and the circumstances of the seller. This will help you settle on a price you think would be fair to pay for the home. Finally, depending on your negotiating style, you adjust your "fair" price and come up with what you want to put in your offer.

Comparable Sales

The first step in determining the price you are willing to offer is to look at the recent sales of similar homes. These are called "comparable sales." Comparable sales are recent sales of homes that compare closely to the one you are looking to purchase. Specifically, we want to compare prices of homes that are similar in square footage, number of bedrooms and bathrooms, garage space, lot size, and type of construction.

If the home you are interested in is part of a tract of homes, then we will most likely find some exact model matches to compare against one another.

There are three main sources of information on comparable sales, all of which are easily accessed by a real estate agent. It is somewhat more difficult for the general public to access this data, and in some cases impossible. Two of the most obvious information sources are the public record and the Multiple Listing Service.

Comparable Sales in the Public Record

The most accessible source of information on comparable sales is the public record. When someone buys a home the property is deeded from the seller to the buyer. In most circumstances, this deed is recorded at the local county recorder's office. They combine sales data with information already known about the property so they can assess property taxes correctly.

Provided there have been no additions to the property, the information available from the public record is usually correct regarding sales price, square footage, and numbers of rooms. This makes it easy to use the public record as a source of data for comparable sale information.

Accessing the data is another matter, at least for the general public. Realtors can look up this information through the multiple listing service (MLS). The MLS compile the data directly from the county recorder's office.

One problem with the public record is that it tends to run **at least** six to eight weeks behind. Add another four to six weeks for the typical escrow period and you can see the data is not current. The most current information is the most valuable.

Comparable Sales in the Multiple Listing Service

Once a property is sold and the transaction has closed, the selling price is posted to the listing in the Multiple Listing Service (MLS). Over time, it has become a huge database

on past sales, containing much more information on individual homes than can be gleaned from the public record. This information is only available to real estate agents who are members of the local Multiple Listing Service. I will provide you with this data to help determine your offer price.