

Making an Offer on a New Home

It makes little difference whether you are a veteran home buyer or a first-timer. When it comes time to make an offer on a home, how do you know that what you are offering is a fair price? And how do you know when the seller is asking too much?

Realtors understand the frustration associated with determining the right amount for your offer. There are many things to consider, and there really is no standard value calculation. Consider that two identical homes on identical pieces of land, located on either end of a single city will vary significantly in value.



So how do you know what the true value of a home is? And how do you know how much to offer? There is a delicate balance between offering too much and insulting the seller. Here are some of the ways that realtors estimate the approximate value of a home. Hopefully, they can help you to craft an excellent offer!

Ask Your Realtor for a List of Recent Sales in Your Area

You may not realize just how much listing prices can vary from actual selling prices. Your realtor can provide you with a detailed report of homes that have recently sold in the area where you plan to buy. The information contained in the report will include the listing price and selling price of each home.

This information is valuable to you because you can use it to determine the average difference between the listing price and selling price. In some markets, buyers pay less than the seller's listing price. In other markets, the buyers pay significantly more than the listing price. Really, it depends on the local market trends. By studying the realtor's report, you will be better equipped to judge the market conditions.


Hire an Independent Appraiser

Depending on the anticipated price, you may opt to have an independent home appraisal completed before you make an offer to the seller. The general rule of thumb to follow when selecting an appraiser is that he or she should not be connected with either you or the seller. This makes the appraiser a completely independent third party and implied a more objective appraisal.


When you complete a home appraisal before making an offer, your lender probably will not use the same appraisal, and you will need to get a second one. However, here's an overview of what you can expect from an appraiser.

The report that you receive will contain information about the property and the surrounding area. You will receive a list of three comparable properties in the area and a statement about the housing market at the time of the appraisal.

The appraisal report will give detailed information about items that are dangerous, or those that seriously impact the appraised value of the home. If there are any serious problems or damage, it will be noted on the report as well. The piece of information that you are the most curious about, the appraised value, will be included in the report.



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Unless you plan to purchase a very high-value home, you probably won't need to hire an independent appraiser prior to making an offer. But know that you do have this right as a buyer.

Know Your Realtor

Knowing your realtor well is wise for anyone involved in a real-estate transaction. If you are working with a seller's agent, you will get little assistance from the realtor, because the agent is working to get the best possible price for the seller. However, if your realtor is a buyer's agent, he or she is looking out for your interests and can be quite helpful in the process of crafting an offer to present to the seller.

Often the agent's ability to assist you in various steps of the buying process will be governed by local and state laws. Therefore, it is important to question your agent about whether he or she is a buyer's or seller's agent. Find out what laws are in place that could restrict your agent's ability to assist you in the buying process.

Learn as Much as Possible About the Seller

The more information you have about the seller, the better your chances of making an offer that is accepted the first time. Ask your realtor how long the home has been on the market. Try to determine through your home visit the reason for the move. Look for subtle clues indicating a change of employment or even a pending divorce.

Determine Whether the Home Is Overpriced

As mentioned earlier, real estate markets vary by location. In some locations, sellers choose to list their home for a price that is higher than what they anticipate receiving. Since you obviously cannot ask the seller what his or her bottom line is, you will need to try to figure out the local trends before establishing an offer price.

If you find that a home is overpriced, you need to be careful to make an offer price that will make the seller feel that you are a seriously interested buyer.

Determine Whether the Home is Under-Priced

If you determine that the listing price is less than what comparable homes have sold for, then you know that the seller expects you to offer a price that is higher than what he or she is asking. Consider starting with the average sale price of comparable homes in the area, or find another way to determine your offer amount. Keep in mind that when a home is listed below its market price, an offer equal to the listing price may seem insulting to some buyers. You need to find a balance between the listing price and your offer price that will satisfy your needs and those of the seller.

Trust Your Instincts

Wise realtors advise their clients to trust themselves. If you have found the perfect home for your situation and you are willing to pay a premium in order to purchase the home, then feel comfortable offering a high price in order to increase your chances of having your offer accepted.

If negotiations reach a stalemate and the seller does not seem interested in your offer, then you might need to move on.

Every buyer and every situation is different, so the best thing you can do is to become educated. An educated consumer is every realtor's favorite client! If you take the time required to research the home and area into which you want to move, you will be far better off in the end than someone who has simply not put in the time required to make wise decisions about the offers they make to sellers.