

## Determining the Amount to Offer

There are some things that you should consider when determining the amount to offer for a property purchase.

- Comparable Sales
- Inspection Results
- Supply and Demand
- How long has the home been on the market

Comparable sales - sale price of similar properties in the neighborhood in which you plan to buy that sold within the last year or so. Comparable sales can be very helpful when you are trying to determine the value of a property.

First gather as many recent sales of comparable or similar properties as you can in the neighborhood of your property. Try to find sales no more than 1 year old. Sales over a year old may no longer be relevant due to changes in the economy, the real estate market, etc.

Also, try to find properties with similar square footage (living space), lot size (actual size of property - house, yard, etc.), same number of bedrooms and bathrooms, and the same age or year built. Plus, if your property has a view or a pool, compare only to properties with the same.

And, most importantly, if you live in apartment, only compare to other apartments. The same goes for duplexes, single-family detached homes, etc. You must compare apples to apples, otherwise, your comparables will not be accurate.

Finally, try to find comps as close to your property as possible. Different neighborhoods have different characteristics such as number of public services, stores, churches, parks, etc. This, plus the average age of the neighborhood can significantly affect the overall market value.

Once you have gathered several comparable sales, note the sale prices. In a perfect world, the sale prices should all be similar. If this happens, that should give you a good indication of your property's current market value.

Comparable sale information can be obtained from local clerk offices, RP Data and property assessors.

Inspection results. Generally you do your own home inspection and a cost estimation of needed repairs before making an offer to purchase a home. Once you make a decision to buy this home, you may include an inspection contingency in purchase contract and have the home you've selected

professionally inspected. The severity of the problem uncovered during the home inspection and the cost of fixing it, may impact your offer amount.

Supply and demand. A seller's market is characterized by demand exceeding supply, the purchase price is close to the asking price and the houses don't delay on the market. If the property is listed at a price close to the market value, an initial offer price of 90- 95% of the list price is normal. A very low offer might be rejected immediately. On the contrary, in a buyer's market supply overtakes demand, houses are hard to sell and the below-market offer will usually either be accepted or generate a counteroffer. When few offers are being made, an outright rejection of offers becomes unlikely.

How long has the home been on the market? If it's been for sale a while, the seller may be more willing to bargain.

You should review all this information prior to making any offer.



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