

HOW'S THE MARKET?

It might be surprising to find that the current value of your home has already been determined by market forces. "The market" somehow knows how to value your home's location, number of bedrooms, and even its uniqueness. Indeed, every home is unique and **yours is no different**. Just think about it for a moment! If you expect to find that one buyer who will appreciate everything you have done to your home *and* pay a handsome premium over market value for it, you are searching for a fool who is your clone.

Most buyers search for a home over a wide area and see many homes before they purchase. Therefore, there really is no unique market or even niche for your area, your subdivision, or your home. By realizing this, you acknowledge that you will have to compete with other sellers for a buyer. And in a competitive environment, it is imperative to know the market.

It is important to have an accurate idea of your home's market value. You might use it to briefly reexamine your decision to sell. Should you rent the home? Stay in it? Sell it? If you decide to proceed with selling, an accurate estimate of its value gives you a preview of what is at the end of the home selling journey. With this information, you can plan your marketing strategy more effectively and possibly even enjoy the trip. Your carefully selected agent can usually predict your home's market value within a few percent.

But how does "the market" determine your home's value? How can we find out what the market already knows? What are the critical factors? And how can we exercise maximum control over the outcome? To be sure, the market neither knows nor cares:

- ◆ What you paid for your home
- ◆ How much money you have spent on improvements
- ◆ How much money you need from this home sale in order to buy your next home
- ◆ The amount of profit you feel you are due from your home sale.

Before we consider the market for *your* home, we must examine the overall supply of homes on the market, and the demand for them, in order to place your sale in perspective. There are seasonal variations: The number of homes on the market peaks around midyear. There is a common misconception about the market cycle. Ask anyone when it is best to put your home on the market. They will recite that many buyers have children and wish to move in the summer when school is out. Then they will tell you to put your home on the market in May or June. It makes perfect sense, but it will be a **big mistake** to follow that advice. Another example of "what everybody knows" being just plain wrong!

The mystery unfolds when demand is considered. It will surprise most folks to find that that the number of homes sold (contracts entered) usually peaks in March or April. "Spring" buying activity starts in January. In May or June, there will be fewer buyers chasing after more homes. This will mean a longer marketing time and possibly a lower price for you.

It is possible to develop a "Market Index" to show the combined effect of supply and demand. **Months supply** of homes on the market can be easily calculated: Divide the number of homes on the market in any month, by the number of homes sold in the same month. Conceptually, it indicates when the current inventory of resale homes would be exhausted if buyers kept buying at the current rate and no additional homes came onto the market. Of course, this never happens.

A months supply figure of less than 3.0 favors sellers while a number greater than 5.0 indicates that buyers have the advantage. This concept provides a general assessment of the strength of the market which is critical information for home sellers. To get this information months ahead of anyone else, visit www.davidr.net and click **Market Report**.

*This series is excerpted from David Rathgeber's **SELLING YOUR HOME in the Washington, DC Metropolitan Area**
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