



Real Estate Reality

WHAT'S MORE IMPORTANT? LOCATION, CONDITION OR PRICE?

-Debbie Yost

There are three items that affect the salability of homes, in addition to the obvious one of proper marketing and presentation. You may have heard that the first three rules of real estate are location, location, and location. That is obviously one of the important factors. The town or area of town you live in may be preferred over another. The view may be extraordinary or the lot may be adjacent to a beautiful common area. The schools and community facilities may be enticing to potential buyers. Conversely, being located next to a home with a neglected yard or across from a busy commercial center may detract from the attractiveness of your property.

Condition is another key feature in the salability of your home. When homes are presented as well kept and scrupulously maintained the value increases compared to other similar homes that are available for purchase. In a market with a large inventory of new homes which are immaculately maintained, beautifully landscaped and professionally decorated, property condition becomes extremely important.

The feature that seems to be most critical for attracting buyers is price, particularly in a market where the supply of homes for sale exceeds the demand (a buyer's market.) When your home is priced lower than the price of comparably sized homes in similar locations and condition, your home will sell before the others. During high frenzy buyers' markets (last year in our area) the price becomes less critical. When the market supply of inventory vs. demand is in balance or when there is an over supply of homes, price becomes the critical issue.

You've probably seen and heard all the recent news reports that a residential real estate price adjustment is occurring across the nation. For sellers, the fast appreciating market of the past two years has settled down. Marketing times are lengthening. Inventory is expanding. Some forecasters are trying to tell us that the real estate market is headed for a big downfall.

Other forecasters and economists are declaring that this is simply a normal adjustment to the market. Every five to seven years our market experiences a real estate cycle. When the market is even, meaning the inventory of homes and number of buyers is relatively steady, we have what we refer to as a normal market. Homes sell in the 60 to 120 day time frame as a general rule. Prices may rise slightly or remain constant for that period of time.

When the inventory of homes begins to decrease, then real estate prices begin to escalate. Buyers work themselves into a frenzy as the market tightens and the number of available homes shrinks. The rule of supply and demand again is exem-

plified. This is what we refer to as a sellers market. The sellers set the price and terms. Prices leap frog each other as new listings enter the market. There always comes a point at which the market has reached its maximum valuation for that period of time.

Builders, investors and homeowners who recognize the peak of the real estate cycle want to "cash out" and they begin to place homes on the market for sale. Buyers begin to have choices. The days on the market for listings begins to increase and since the fury has died down, so do the prices. This situation translates into a buyers market. Sellers become more accommodating in order to sell. If they feel the need to speed up the home selling process, they adjust their price to a level that becomes enticing to the available buyers. This movement in the market is normal and is a typical response to current conditions in the market place and the economic condition for that time frame. We are in a process now of price adjustment. Buyers do have a wide array of housing choices once again.

It's critical to price your home competitively if you are putting it on the market now. The price you paid last year, or the price your neighbor received eight months ago is only part of the picture that must be considered. The number of competing listings and the number that the market absorbed last month are critical pieces of information to consider when establishing a price the market will accept.

Many of the folks who are currently in the market to purchase express their excitement about how much more home they can purchase now compared to what that same price would purchase last year. If they are looking to sell their existing home they frequently forget that their home value has also been adjusted and want to use yesterday's pricing to sell their own home to another purchaser. If you find yourself considering selling so that you can take advantage of a lower purchase price on your next home, remember that the potential buyers for your home will also be contemplating those same lower prices.

With interest rates settling back down and inventory at higher levels, you can find great values in this market. And if you are selling in this market, be aware that all factors, location, condition, marketing and pricing are critical.

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- Maximize your equity
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