

Market Value

Market Value definition: *What a willing and able Buyer pays to purchase a house.*

While market value can be **estimated**, based on recent comparable sales in the specific market of the home, it is not **known** until an able buyer and the seller agree on the price of the property.

The Property has to be Sold 3 TIMES!

1. The Buyer has to accept the price.
2. The Selling Agent (Buyer's Agent) has to accept the price.
3. The appraiser has to accept the price.

Notes on Appraisals:

- Appraisals are part of the financing process.
- Whenever a Buyer takes out a note for a loan on a house, the lender hires an appraiser to evaluate the home to ensure that the house is **adequate collateral** for the loan.
- If the appraisal comes in lower than the sale price on the contract, either:
 - A. The sale price needs to be re-negotiated -OR-
 - B. The Buyer has to bring the extra cash to the table to cover the difference between what the bank thinks the house is worth and what the Sellers and Buyers agree the house is worth.

THREE Strategies for Determining LIST PRICE:

These are the primary sales strategies, *all of them ultimately leading to market value:*

- (1) Listing the price **high** can create delays and with the time lapse, the price of the house will eventually drop to meet the market. This can be an option if the Seller is in no need to hurry. The house can stay on the market for awhile.
- (2) Listing the price **at estimated market value** can hasten the sale by appealing to able buyers, and the house will sell at market value. This will generate the highest sale price in the shortest amount of time.
- (3) Listing the price **low**, in the right market, can (but won't always) create an environment for multiple offers and thus a bidding war, which will raise the price to or above market value. This happens quickly and can involve some stress for all parties involved.

Absorption Rate — Important Considerations:

- How many houses are on the market that are directly competing with this one (inventory)?
- How long is it taking houses in this specific pool to go under contract?
- How long will it take the house to go under contract at a specific price, given how many months of inventory are currently on the market?