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How Much Should I Offer?

For many prospective homebuyers, one of the most difficult moments in the home-buying process comes when they have to decide how much to offer. How much is the home really worth? How low is the owner willing to go?

A good beginning strategy is to ask the real estate agent for a list of “comps.” Comps are homes that have sold recently, and which are similar in size, location, condition, and features to the one you want to buy. By comparing the sale price of the comps with the price of the home you want to buy, you can get a pretty good idea whether the one you want is realistically priced.

Remember, though, that homes really sell for the full amount of the list, or asking, price. In fact, the ultimate sale price of a home is typically 5-6% lower than the asking price. Based on this, owners will usually list their home for a price somewhat higher than they expect to get. And depending on the situation, buyers often make a first offer that is lower than the figure they are willing to settle for.

Thus, according to the averages, a house listed for \$125,000 might sell for \$118,000, but the eventually buyers might make a first offer, of, say, \$115,000, which is \$10,000 under the asking price.

Of course, there are many variables. If other qualified buyers are keenly interested in the home you want, you don’t want to make your first offer too low, or the owner may simply turn to the other buyers. On the other hand, if the house has been on the market for a year and a half, and hasn’t generated much interest, the owner might respond positively to a rather low offer.

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In other words, deciding how much to offer is an art, not a science. You may also consider new constructed homes with a Realtor.

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