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CREATOR

How to determine fair market value

One of the most difficult questions for property buyers to answer is, 'How much should I pay?'

Everyone wants to get the best deal when they purchase a property. But how do you know what a good deal is? Before you can decide whether you're getting a bargain, you need to research the market value of the property. Comparative market analysis is extremely powerful when you're trying to negotiate the best possible price.

Inspect the unexpected

So how do you do it and what's involved? You need to see as many properties as you can in preferably a four-to-eight week time frame; two months is a long time in real estate. As a rule I suggest you inspect at least 100 properties and document all relevant features. If you're serious about getting a good deal and saving yourself thousands, if not tens of thousands of dollars, I'm sure you'll find the time to look at 15 properties a week.

Forget about buying property over the Internet, or sight unseen, as you're bound to get stung on the price and/or the quality. You need to physically inspect property you're going to buy or engage an independent party to do it for you.



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Now I don't suggest you look at 100 properties across a dozen suburbs, just select your top three and take good detailed notes on each one. In particular, write down the asking price, number of bedrooms, bathrooms, cars spaces etc., and what you feel they were worth. Follow them up after they have been sold to see how accurate you were. By the time you have inspected 100 properties you should know exactly what the market value is for the particular type and style of property you're interested in.

This is the only way you are going to work out the true value of real estate. I've purchased properties all over Sydney, in different states of Australia and in all different price ranges, and I always stick to this formula.

Apples with apples

Remember, you're comparing apples with apples so stick pretty much to your desired criteria and within about 20% of the expected purchase price you are looking at.

Persist

Be disciplined and persistent. Inevitably, you'll fall in love with the 27th property you look at. However, your first 100 properties should be for research purposes only. If you go ahead and buy before you've completed extensive due diligence, there is no way you can be sure you aren't buying at above market prices. You need to look at a range of comparable properties to determine fair market value.

During this search time you'll start to develop a clear understanding for the worth of property in your search area. It's a very empowering feeling.

Fair market

Once you've completed your research you'll be able to confidently assess fair market value, and you'll have the data to back up any offer you submit. The research data is a huge asset when it comes to negotiating price. Should the property go to auction, you'll know what a sensible maximum bid is. So, when a selling agent tells you the owner is looking for X amount of dollars, ask them who told the owner they would get that ridiculous figure.

Do the work and benefit

There's no denying it, inspecting 100 properties is a lot of work and you need to persevere to get through the research; however it's the best method to ensure you make a solid, if not enviable purchase.

I see people pay over and above fair market value all the time. However, if you've done your research you will avoid all the pitfalls and traps set up within the real estate market. You'll also be able to spot the bargains.

Do the research thoroughly because with real estate there are no small mistakes, just very expensive lessons. www.wcm.com