

# Understanding Market Conditions

*How supply and demand on the housing market impact your buying strategy*

Think back to high school economics. Remember those lessons on the laws of supply and demand, and how you swore you'd never need to know that stuff in the real world? Well, if you're looking to buy a house, it could come in handy.

The concept is a simple one, but it teaches a valuable lesson in how housing market conditions affect price, and how understanding the market can affect your buying strategy.

In a nutshell, when there are more homes for sale than there are potential buyers, house prices drop. When there are fewer houses on the market than there are buyers, house prices will climb. When the number of homes on the market is roughly equal to the number of buyers, it's called a balanced market.

Market conditions vary widely across the city. The demand for housing in a given neighbourhood may be influenced by any number of factors. Swings in the economy (both national and local), the availability of property (supply), and the fickle nature of consumer trends can determine if a given neighbourhood is hot or not.

Here is a quick rundown on how the changing housing market can impact buying and selling behaviours:

## **Buyer's market**

A buyer's market provides the ideal situation for the house hunter. Home sellers have more competition, and homes often stay on the market longer. This gives you, the buyer, more leverage. Expect to pay less for more house, expect to have more time to make a decision, and expect conditional offers to be accepted far more readily than in a seller's housing market.

## **Seller's market**

Your position as a buyer becomes a little trickier in a seller's market. With fewer homes to choose from, competition between buyers becomes a factor. This can spawn bidding wars that drive prices up.

You'll want to be ready to act fast in a seller's market. With buyers outnumbering sellers, you will soon learn to snatch up a good deal when you see one, or be left out in the cold.

You may have to settle for a little less in the way of extras, too. Conditional offers that may have included appliances or extra fix-ups in a buyer's market may well be rejected in the seller's market.

Buying in a balanced market is a much more predictable endeavour. With sellers and buyers in equilibrium, housing prices stabilize and the atmosphere on both sides of the transaction becomes relaxed.

## **Balanced market**

The number of homes on the market is equal to the number of buyers. Sellers accept reasonable offers. Homes sell within an acceptable time period. Prices are generally stable. More relaxed atmosphere. Reasonable number of houses to choose from.

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