

What is a Market Analysis?

Real Estate is a Commodity

Do we go about buying houses the same way as we go about buying TVs or cars? Well, considering buying a home is the biggest purchase we make in our entire lives, hopefully not. But really, how does it differ? We do our research, we save up some money, we might finance or pay cash, we wait for the right time to buy, and we finally make a decision and enjoy our new shiny addition to our lives. Well, unlike TVs and cars, “real” property is more like a stock. It gains value and loses value based on the economy, supply and demand, style trends, even things as arbitrary as the weather.

PRODUCT

Seller establishes **PRICE**



Consumers decide whether or not to buy at the advertised price. Products that don't sell are discontinued.

COMMODITY

Buyer establishes **VALUE**



Commodities sell every day and prices fluctuate based on market conditions influenced by supply and demand. Whether or not the buyer sees value will determine if the property will sell.

Because commodity markets fluctuate, we get appreciating and depreciating markets based on how many houses are available for sale. If there are less houses for sale, then sellers have an advantage because the buyers out there have less choices, so the value buyers see in the property will be more pronounced. Alternatively, if there are a lot of houses available, then the listings are competing for buyers. The buyers, in turn, will demand more value, driving prices down.