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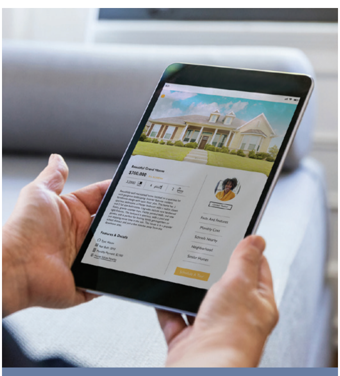
Understanding a Buyer's vs. Seller's Markets in Real Estate

BY CTW FEATURES

If you've ever searched for a home or followed housing news, you've likely heard the terms "buyer's market" and "seller's market." These phrases describe the balance of power between home buyers and sellers, and understanding them can help you make smarter decisions about when to buy or sell a property.

What is a Buyer's Market?

A buyer's market occurs when there are more homes for sale than there are buyers looking to purchase them. This oversupply shifts the advantage to buyers, who have more options and negotiating power.



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In a buyer's market, you'll typically see homes sitting on the market longer, sometimes for months. Sellers may need to reduce their asking prices to attract offers, and buyers can often negotiate favorable terms like requesting repairs, asking for closing cost assistance, or including contingencies that protect them during the transaction. Competition among sellers means buyers can be more selective and take their time finding the right property at the right price.

What is a Seller's Market?

A seller's market is the opposite scenario. When buyer demand exceeds the supply of available homes, sellers hold the upper hand. Properties often receive multiple offers, sometimes dozens, and homes can sell within days or even hours of being listed.

In this environment, buyers face intense competition. Sellers can be choosier about which offers to accept, and homes frequently sell for asking price or above. Buyers may need to waive contingencies, offer all-cash deals, or write personal letters to sellers to make their offers stand out. The pressure to act quickly can be stressful, and buyers often have little room to negotiate on price or terms.

Key Indicators of Market Shifts

Several measurable factors signal whether the market favors buyers or sellers, and changes in these indicators can signal a shift from one type of market to another.

Months of inventory is one of the most telling metrics. This measures how long it would take to sell all currently listed homes at the current sales pace. Generally, six months of inventory represents a balanced market. Less than six months indicates a seller's market, while more than six months suggests a buyer's market. When this number rises or falls significantly, it often signals a market transition.

Days on market shows how quickly homes are selling. In a seller's market, the average days on market might drop to 30 days or less. As the market shifts toward buyers, this number increases, sometimes exceeding 60 or 90 days.

Price trends are another clear indicator. Rapidly rising home prices typically characterize a seller's market, while flat or declining prices suggest a shift toward a buyer's market. Year-over-year price comparisons can reveal whether momentum is building in one direction or another.

List price to sale price ratio reveals negotiating power. When homes regularly sell above asking price, sellers have the advantage. When homes sell below asking price or require multiple price reductions, buyers have gained leverage.

What Causes Market Shifts?

Understanding what drives these transitions can help you anticipate

Continues on page H3

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