

Take Advantage of a Buyer's Market

When the market turned up in the late 1990s the market shifted. During the last decline, the buyers had an advantage. During the bubble the advantage went to the sellers. The seller's market went on for so long and became so feverish that people have forgotten (or may never have known) what it was like to see buyers in control of the action. Buyers need to be re-educated on how to behave in a buyer's market. Buyers must remember they are the ones in control. Buyers are the scarce resource in the marketplace. The seller is one of many for the buyer to choose from, and all sellers are desperate. Sellers need buyers. Buyers do not need sellers. No matter which seller the buyer purchases from, the buyer is going to leave all the other sellers disappointed because they are going to continue to be trapped in their homeowner's prison. Buyers cannot please everyone, so they should focus on pleasing themselves. Buyers should not become concerned with the seller's needs, wants and problems. Does it matter if this house is the seller's entire savings for retirement? Should a buyer care if a sale below a certain price puts the seller into bankruptcy? Buyers need to ask themselves, "Would I give the seller money if I were not buying their home?" Unless the buyer is running a charity, the answer should be no, and she should not care about the consequences of the seller's financial decisions. The seller created her own problems; it is not the buyer's responsibility to solve these problems by overpaying for a house. This may sound like common sense, but the behavior of many buyers during the early part of the decline demonstrated a lack of understanding of this principal. Buyers should not ask for or take any incentives, and they should pay their own closing costs. They are paying for all these incentives; it is just buried in the loan. They will be paying interest on this purchase for the next 30 years, and the buyer will be paying property tax on these costs for as long as they own the house. Buyers are far, far better off lowering the price and foregoing the incentives and paying their own closing costs. A buyer's brokerage typically kicks back 2% at closing. Work out a deal with them in advance where they will agree to take a 1% commission at the closing so the price can be lowered by 2%. Again, the buyer is paying taxes on the purchase price, so they should make this as low as possible. Most of the time, it is sellers who have the upper hand in residential real estate markets. Buyers need to take advantage of conditions when they are in their favor. During the deflation of the Great Housing Bubble, it is buyers who are in control.

About the Author

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