



Market Value

Davis Realty News

Do you
know
what the
term:

Walrasian
means?

No?

Keep
reading...

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Everyone who discusses Real Estate eventually utters the phrase "market value". While most people have an understanding of it in broad terms there is a bit more to consider depending on whether you are buying or selling real estate. On the sell side you want to feel reasonably sure that you are not "leaving money on the table" and if you are buying you want to be sure that you are not "paying too much". Although these two desires appear to be at polar opposites, they are indeed tied together as the starting point to determine what is "market value".

A good demonstration of the principle of "market value" is to look at what happens at an auction. In Canada it is rare to sell a property by auction with the exception of farm land on the prairies and even then it is usually sold that way because it is being sold by the estate. The principle is that at any given time, there will be a finite number of people ready, willing and able to purchase a specific thing at a specific moment in time. Furthermore, the number of people in any buyer pool is never the same. Someone who looking to purchase a specific item may have bought it the previous day and is no longer one of the potential buyers. The number of people selling a particular item will vary from day to day however, the principle of supply and demand are still there for those offering to sell and those wanting to buy. It is merely a question of finding a value that is acceptable to both parties.

Let's begin with an *item* being offered for sale. This *item* has a certain "value" in the mind of the seller but it will also have many different values in the minds of other buyers. The seller can and often does put a reserve bid on the *item* in order to let it be known that it will not be sold for less than that amount. If there is more than one buyer for any particular *item* each buyer will decide how much they are willing to pay over and above the reserved price. If this reserve price is not reasonable to any potential buyer it will not sell. If the reserve is reasonable in the minds of the available buyers, the buyer that succeeds is of course the one that will pay the most. If there is only one person ready willing and able to buy that item they will not have to compete and will secure the item for the least amount of money. Lastly, there may be no buyer willing to pay the reserve price and the item will remain unsold. So if we have a specific item, seller, and buyer(s) at a fixed moment in time there may or may not be a sale. However, whatever that outcome is, there will never be a repeat of the same exact set of circumstances.

The Buyer, the Seller and the property may not change but the point in time when they come together will. This means that the number of potential Buyers at any moment in the future will change and who they were could not be determined until the moment in time has passed by.

"Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing Buyer and a willing Seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion." (from Wikipedia.org) Check it out @ www.wikipedia.org and search for the term Walrasian. There are many pages and graphs available for more in depth Information on this topic. Very interesting!



In closing it is safe to say that the "market value" is determined when the Seller accepts a Buyers offer.

Agents who understand this principle and know the mindset of Buyers and Sellers are able to apply the principle for the very best result no matter which side of the transaction they are representing.

Beer & Cheese Bread

A quick bread that requires no yeast, no kneading or rising time.

Preheat oven to 350 Degrees

Grease a 9x5 loaf pan.

2 3/4 cups flour
 4 tsp. baking powder
 1 Tbsp. sugar
 1/2 tsp. salt
 1/4 tsp. dry mustard
 2 Tbsp. parmesan cheese
 1 1/2 cups grated cheddar
 1 1/2 c warm beer

1 Tbsp. sesame seeds (optional)

Blend the dry ingredients along with 1/2 of the cheddar cheese. Pour the beer into a open container in order to pour it into the dry ingredients all at once. Mix until just combined (batter will be lumpy) and then immediately put into the greased pan. Top with the remaining cheddar cheese and optional sesame seeds.

Bake 45 to 50 minutes.

Did you know that in addition to being an Award Winning Residential Agent, Jack is also a very active Commercial Real Estate Agent?

Jack's Night Out at the Movies

The lucky winner of this issues "night out" are *Rae Ying & Michael Heron*. They have won tickets and treats for two at the movie of their choice. Want to enter for the next draw? Give Jack a call: 250-598-6200 just to say hi or send him a quick email to: jdavis@davisrealty.ca

He likes to hear from his clients... anytime!

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