

# Why are homes being sold for more than their asking price? Are sellers allowed to under-list their properties?

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May 21, 2021

In a competitive sellers' market, homes often go for much more than their asking prices.

It can be a very challenging experience for buyers.

The list price — whether intentionally set low, intentionally high, or priced at what is believed to be current market value — is at the discretion of the seller. Someone could list their property for \$1 and it wouldn't break the rules. RECO does not regulate the decisions of buyers and sellers.

Please know that a home sale listing price is a marketing tool that a seller uses to generate interest in their property.

Sellers can ask whatever price they want for their property, and can accept the offer they want. There are no legal restrictions on setting a listing price that is below what is expected the house will sell for in this current hot real estate market.

The thinking behind setting a listing price for a property has changed over the years. At one time, it was used to advertise the best estimate of what a home was worth; the property would be marketed and generally sold on that basis. In past years, the final price would often come in under the list price.

Today's real estate environment is different. There's an increase in housing demand — partly because of favourable mortgage rates — and a low supply of new listings.

In such a competitive market, a listing price may be used as a marketing tool to generate broader interest in the property, and to induce a bidding war. Negotiations may also include closed bids, where prospective buyers are asked to submit offers to be considered at a specific date and time.

Sometimes these marketing strategies work, and sometimes they don't. But they present challenges to buyers.

Given the complexities of this market, I would recommend that you work closely with an experienced real estate broker or salesperson to figure out the best strategy for you to buy a home. A real estate professional will know what similar properties in the area are selling for

— and whether a home's listing price is its likely selling price.

An experienced sales rep will also be able to provide you with advice when comparing one home's market value to another. For example, two houses may have similar curb appeal, but one of them may have a newly renovated kitchen that justifies a higher price.

With the help of professional, you can come to a decision on your negotiating strategy based on an approximate value for a property and what you can afford.

Just know that sellers don't have to choose the highest offer. Several factors could make a seller choose a lower offer price, including the size of the deposit, the closing date, or other conditions attached to the offer.

I encourage you to do your own research, and to hire the real estate professional who can best help you navigate this challenging market.

If you have a question for Joe about the home buying or selling process, please email [information@reco.on.ca](mailto:information@reco.on.ca).

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