

Buying in Today's Seller's Market

Written by Jaclyn Weishar

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Are you a buyer in the current seller's market? Allison Cahill, realtor for Keller Williams Integrity First, has some tips to help you in your search for the perfect home.

1) Understand the Prices in Each Neighborhood

"I think the key to buying at the right price is knowing what homes are going for in each neighborhood. Have your realtor do a comparative market analysis for the home before you make an offer. Prices vary so much between neighborhoods," Cahill said.

2) Know When to Offer Full Price, Above Asking Price and Below Market Price

This goes hand in hand with knowing the neighborhood prices for a home similar to the one you wish to purchase. It is a seller's market. Some sellers are pricing their homes at current market value. In this case, the home will sell quickly with multiple offers. Be prepared to pay a little over the asking price. Other sellers are pricing their homes above market price. These sellers are very excited about the rapidly rising market, but overpricing causes buyers to lose interest in their home.

3) Get Prequalified Before You Start Looking

Prequalification informs you of what you can afford. When you submit your offer, you must have a prequalification from a lender or proof of funds. A prequalification states that you qualify for a loan in a stated amount. Proof of funds is used in a cash purchase. It is simply a bank statement showing that the buyer has sufficient funds in the bank to make the purchase.

4) What to do if it doesn't appraise?

"Homes failing to appraise is such a common problem right now," Cahill said.

The market rose 4.5% in May alone and from March 2012-March 2013, it rose 22.5% according to the *Wall Street Journal*. Make sure that your agent goes to the appraisal to discuss what the market is doing in the neighborhood. Also, be prepared to renegotiate the sales price with the seller if the home does not appraise.

Cahill explains with this example:

- Original agreed upon price is \$500,000 with 20 percent down (\$100,000) and a loan amount of \$400,000.
- Unfortunately, the home appraised for \$475,000. Now what are you going to do?
- The buyer and seller may agree to split the difference between appraised value and the original sales price - a difference of \$25,000.
- The seller agrees to come down in price to \$462,500 and the buyer agrees to give the seller \$12,500 at closing. This means the seller and buyer are splitting the \$25,000 between the two of them.
- The buyer now obtains the loan based on the appraised price - \$475,000.
- The buyer puts 20 percent down (\$95,000) and the loan amount is \$380,000.
- Thus, out of pocket, the buyer is paying \$95,000 down plus \$12,500 to the seller for a total of \$107,500. The buyer had originally intended to put a total of \$100,000, so this is only an extra \$7,500 for the buyer.

For more ideas on how buyers can survive this seller's market visit www.allisoncahill.com.

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