

Closing the gap between Buying & Selling

If you are currently facing the possibility, or even the current situation, of buying a new home and selling your old one, consider the following tips.

Buying and selling real estate is one of the most stressful and costly events in life. Many find it especially difficult to juggle buying a new home and selling the old one. A recent Wall Street Journal Online article offers tips on managing this process.

Ending up with two mortgages is probably most homeowners' worst nightmare. But, when you are buying a new home and trying to sell your old one, this is what you are risking. The Wall Street Journal Online discusses this issue and gives suggestions on how to manage the buy-sell process.

In a hot real estate market, it usually isn't difficult to buy a new home and sell your old one without too much lag time between the two. In the current cooling market, however, the risk of ending up with two homes increases. Only a few months ago, sellers had all the cards, and fewer people were looking for bridge loans to cover the gap between buying and selling. In a buyer's market, the popularity of bridge loans and other solutions to this dilemma increases.

Being Prepared

Before putting your home on the market, always consider the local marketplace. Research recent home prices in your neighborhood and get a feel for what buyers are paying for a home similar to yours. You can also check with your agent or other area brokers to get a feeling for how long houses sit on the market without selling. Finally, investigate the local real estate market forecasts by visiting the National Association of Realtors' Web site for national trends and contacting regional realtor association for local trends. Getting a sense for trends can give you a better idea on whether holding off selling for a few months might increase your chances of a better sale. Also, be aware that holding out for your initial asking price when you have bought a new home but haven't sold your old one can backfire. It may be disappointing, but cutting your price sooner rather than later can prevent the potentially disastrous effects of paying for two homes.

Contingency Clauses

For a buyer, the only sure way you won't be made to close on a new house if you can't sell your old one is a home-sale contingency contract. Contingencies are clauses written into the contract to ensure that you can secure financing before proceeding to closing, and if the terms of the contingency aren't met, you can back out of the contract with no penalty. Be aware, however, that sellers will generally find this type of offer unattractive, as it may mean that they are kept waiting. In a slow market, when offers are below par, many sellers may be more willing to agree to a contingency clause.

Renting

In the gap between buying a home and selling your old house, consider renting to tenants to help pay the bills. You can still keep your home on the market, even if it means giving renters a good deal in exchange for allowing potential buyers to look at the place. Renting your old home can help pay the bills, but keep in mind that you will have to invest in renters' insurance and possibly other expenses, such as a management firm.

Paying Rent to the Buyer

This solution addresses the opposite problem of buying a new home without selling your old one. If you have sold your old home but haven't yet found a new home, you can offer a rent-back situation to the new owners, where you pay them rent to extend your moving date. You can even offer to cut the price if the new owners are flexible on a move-in date and will let you stay for a space of time.

Throwing in the Patio Furniture

There are many appealing things you can bargain with besides money. To gain flexibility in a closing date with buyers or sellers, you can offer the other party anything they might find appealing: Super Bowl tickets, appliances and furniture are all good bargaining tools.

Stepping Back

Sometimes, a real estate broker may be able to offer perks to the parties to make the deal go through. For instance, if a

seller needs to extend the moving date but the buyer needs to get into the home ASAP, a broker may offer to cover hotel accommodations. Most brokers won't bicker over expenses like these when hundreds of thousands, or even millions, of dollars of real estate are on the line.

Getting Sympathy

Empathy can work in your favor, but don't count on it. Developing a rapport between buyers and sellers can work in some situations, but not others. Depending on whom you're dealing with, the other party can be empathetic when you come up against timing problems. However, some buyers and sellers don't care if you haven't sold your old house yet or if you can't move in until you start your new job in August.

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