

THINGS TO CONSIDER WHEN  
**SELLING YOUR HOUSE**

{ FALL 2014 EDITION }



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## 5 REASONS TO **SELL NOW**

People across the country are beginning to think about what their life will look like next year. It happens every fall. We ponder whether we should relocate to a different part of the country to find better year round weather or perhaps move across the state for better job opportunities. Homeowners in this situation must consider whether they should sell their house now or wait. If you are one of these potential sellers, here are five important reasons to do it now versus the dead of winter.

### **1. Demand is Strong**

Foot traffic refers to the number of people out actually physically looking at home right now. The latest foot traffic numbers show that there are more prospective purchasers currently looking at homes than at any other time in the last twelve months which includes the latest spring buyers' market. These buyers are ready, willing and able to buy...and are in the market right now!

As we get later into the year, many people have other things (weather, holidays, etc.) that distract them from searching for a home. Take advantage of the buyer activity currently in the market.

### **2. There Is Less Competition Now**

Housing supply is still under the historical number of 6 months' supply. This means that, in many markets, there are not enough homes for sale to satisfy the number of buyers in that market. This is good news for home prices. However, additional inventory is about to come to market.

There is a pent-up desire for many homeowners to move as they were unable to sell over the last few years because of a negative equity situation. Homeowners are now seeing a return to positive equity as real estate values have increased over the last two years. Many of these homes will be coming to the market in the near future.

Also, new construction of single-family homes is again beginning to increase. A recent study by Harris Poll revealed that 41% of buyers would prefer to buy a new home while only 21% prefer an existing home (38% had no preference).

The choices buyers have will continue to increase over the next few months. Don't wait until all this other inventory of homes comes to market before you sell.

### **3. The Process Will Be Quicker**

One of the biggest challenges of the 2014 housing market has been the length of time it takes from contract to closing. Banks are requiring more and more paperwork before approving a mortgage. Any delay in the process is always prolonged during the winter holiday season. Getting your house sold and closed before those delays begin will lend itself to a smoother transaction.

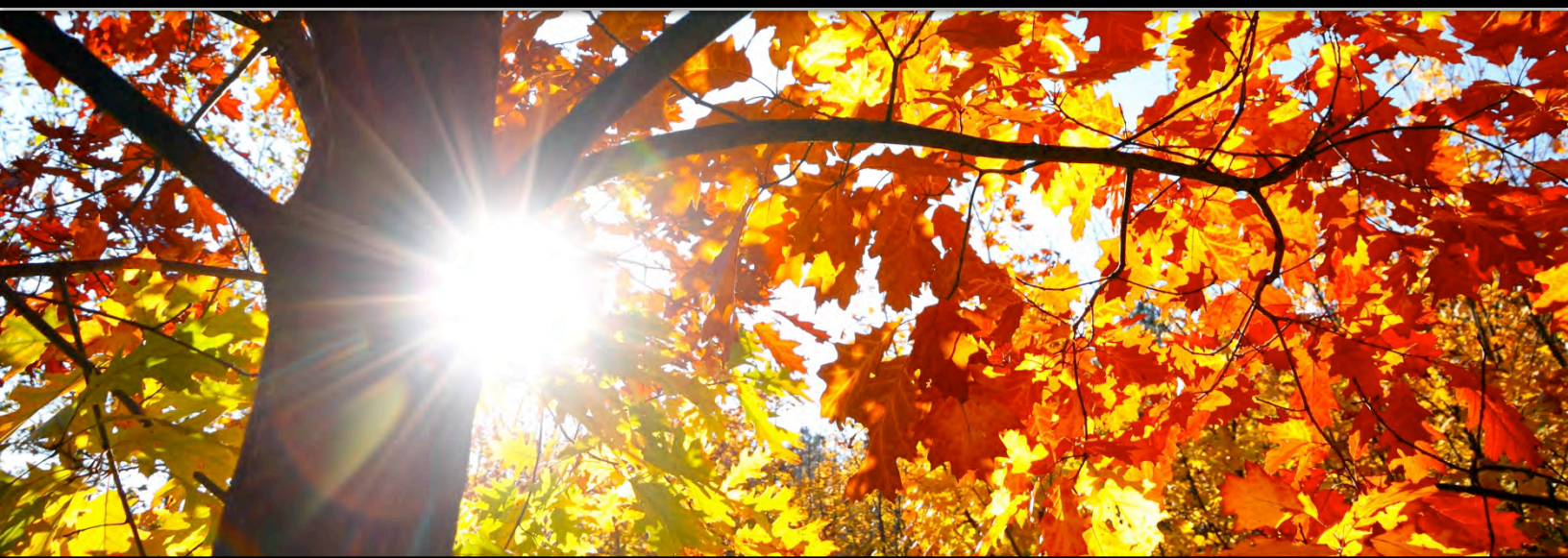
### **4. There Will Never Be a Better Time to Move-Up**

If you are moving up to a larger, more expensive home, consider doing it now. Prices are projected to appreciate by over 19% from now to 2018. If you are moving to a higher priced home, it will wind-up costing you more in raw dollars (both in down payment and mortgage payment) if you wait. You can also lock-in your 30 year housing expense with an interest rate in the low 4's right now. Rates are projected to be over 5% by this time next year.

### **5. It's Time to Move On with Your Life**

Look at the reason you decided to sell in the first place and determine whether it is worth waiting. Is money more important than being with family? Is money more important than your health? Is money more important than having the freedom to go on with your life the way you think you should?

Only you know the answers to the questions above. You have the power to take back control of the situation by putting your home on the market. Perhaps, the time has come for you and your family to move on and start living the life you desire. **That is what is truly important.**







## THE IMPORTANCE OF USING AN AGENT WHEN SELLING YOUR HOME

When a homeowner decides to sell their house, they obviously want the best possible price with the least amount of hassles. However, for the vast majority of sellers, the most important result is to actually get the home sold.

In order to accomplish all three goals, a seller should realize the importance of using a real estate professional. We realize that technology has changed the purchaser's behavior during the home buying process. Today, 92% of all buyers use the internet in their home search according to the National Association of Realtors' 2013 Profile of Home Buyers & Sellers.

However, the report also revealed that 96% percent of buyers that used the internet when searching for a home purchased their home through either a real estate agent/broker or from a builder or builder's agent. Only 2% purchased their home directly from a seller whom the buyer didn't know.

*Buyers search for a home online but then depend on the agent to find the actual home they will buy (52%) or to help them handle the paperwork (24%) or understand the process (24%).*

It is true that the percentage of buyers that are using the internet to search for homes and information on the home buying process has increased dramatically over the last decade. But the plethora of information now available has also resulted in an increase in the percentage of buyers that reach out to real estate professionals to "connect the dots". This is obvious as the percentage of overall buyers who used an agent to buy their home has steadily increased from 69% in 2001.

### **Bottom Line**

If you are thinking of selling your home, don't underestimate the role a real estate professional can play in the process.



## 5 DEMANDS TO MAKE ON YOUR REAL ESTATE AGENT

Are you thinking of selling your house? Are you dreading having to deal with strangers walking through the house? Are you concerned about getting the paperwork correct? Hiring a professional real estate agent can take away most of the challenges of selling. A great agent is always worth more than the commission they charge just like a great doctor or great accountant.

You want to deal with one of the best agents in your marketplace. To do this, you must be able to distinguish the average agent from the great one.

Here are the top 5 demands to make of your Real Estate Agent when selling your house:

### 1. Tell the truth about the price

Too many agents just take the listing at any price and then try to 'work the seller' for a price correction later. Demand that the agent prove to you that they have a belief in the price they are suggesting. Make them show you their plan to sell the house at that price – TWICE! Every house in today's market must be sold two times – first to a buyer and then to the bank.

The second sale may be more difficult than the first. The residential appraisal process has gotten tougher. A recent survey showed that there was a challenge with the appraisal on 24% of all residential real estate transactions. It has become more difficult to get the banks to agree on the contract price. A red flag should be raised if your agent is not discussing this with you at the time of the listing.

### 2. Understand the timetable with which your family is dealing

You will be moving your family to a new home. Whether the move revolves around the start of a new school year or the start of a new job, you will be trying to put the move to a plan.

This can be very emotionally draining. Demand from your agent an appreciation for the timetables you are setting. Your agent cannot pick the exact date of your move, but they should exert any influence they can, to make it work.



### 3. Remove as many of the challenges as possible

It is imperative that your agent knows how to handle the challenges that will arise. An agent's ability to negotiate is critical in this market.

*Remember:* If you have an agent who was weak negotiating with you on the parts of the listing contract that were most important to them and their family (commission, length, etc.), don't expect them to turn into Super hero when they are negotiating for you and your family with your buyer.

### 4. Help with the relocation

If you haven't yet picked your new home, make sure the agent is capable and willing to help you. The coordination of the move is crucial. You don't want to be without a roof over your head the night of the closing. Likewise, you don't want to end up paying two housing expenses (whether it is rent or mortgage). You should, in most cases, be able to close on your current home and immediately move into your new residence.

### 5. Get the house SOLD!

There is a reason you are putting yourself and your family through the process of moving.

You are moving on with your life in some way. The reason is important or you wouldn't be dealing with the headaches and challenges that come along with selling. Do not allow your agent to forget these motivations. Constantly remind them that selling the house is why you hired them. Make sure that they don't worry about your feelings more than they worry about your family. If they discover something needs to be done to attain your goal (i.e. price correction, repair, removing clutter), insist they have the courage to inform you.

**Good agents know how to deliver good news. Great agents know how to deliver tough news. In today's market, YOU NEED A GREAT AGENT! [Contact Sierra Vista Home Selling Team](#) today.**





## 5 REASONS YOU SHOULDN'T FOR SALE BY OWNER

Some homeowners consider trying to sell their home on their own, known in the industry as a For Sale by Owner (FSBO). There are several reasons this might not be a good idea for the vast majority of sellers.

Here are five reasons:

### 1. There Are Too Many People to Negotiate With

Here is a list of some of the people with whom you must be prepared to negotiate if you decide to FSBO.

- The buyer who wants the best deal possible
- The buyer's agent who solely represents the best interest of the buyer
- The buyer's attorney (in some parts of the country)
- The home inspection companies which work for the buyer and will almost always find some problems with the house
- The appraiser if there is a question of value
- Your bank in the case of a short sale

### 2. Exposure to Prospective Purchasers

Recent studies have shown that **92%** of buyers search online for a home. That is in comparison to only **28%** looking at print newspaper ads. Most real estate agents have an internet strategy to promote the sale of your home. Do you?

### 3. Results Come from the Internet

Where do buyers find the home they actually purchased?

- 43%** on the internet
- 9%** from a yard sign
- 1%** from newspapers



The days of selling your house by just putting up a sign and putting it in the paper are long gone. Having a strong internet strategy is crucial.

#### 4. FSBOing has Become More and More Difficult

The paperwork involved in selling and buying a home has increased dramatically as industry disclosures and regulations have become mandatory. This is one of the reasons that the percentage of people FSBOing has dropped from **19%** to **9%** over the last 20+ years.

#### 5. You Net More Money when Using an Agent

Many homeowners believe that they will save the real estate commission by selling on their own. Realize that the main reason buyers look at FSBOs is because they also believe they can save the real commission. The seller and buyer can't both save the commission.

Studies have shown that the typical house sold by the homeowner sells for \$184,000 while the typical house sold by an agent sells for \$230,000. This doesn't mean that an agent can get \$46,000 more for your home as studies have shown that people are more likely to FSBO in markets with lower price points. However, it does show that selling on your own might not make sense.

Even Fannie Mae suggests using an agent. Here is a quote directly from the **Know Your Options** section of their website:

*"Unless you are experienced at selling homes, it usually makes financial sense to get professional help - homes sold by agents typically sell at a higher price and spend less time on the market."*

#### Bottom Line

Before you decide to take on the challenges of selling your house on your own, sit with a real estate professional in your marketplace and see what they have to offer.



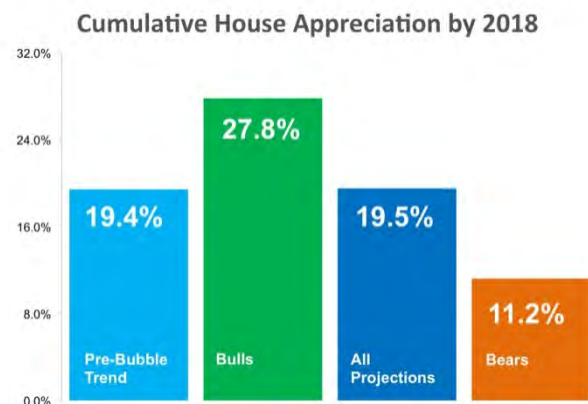
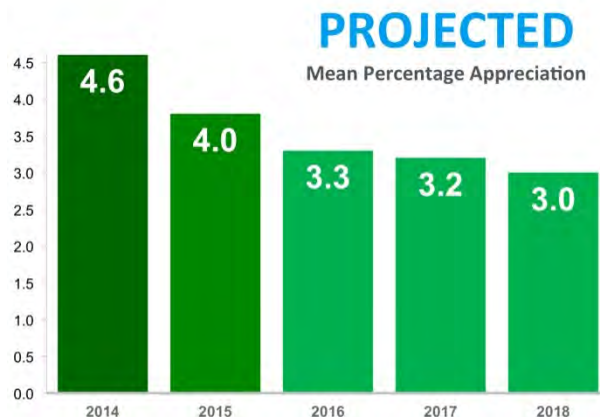
# FUTURE HOUSE PRICES: A LOOK INTO THE CRYSTAL BALL

Today, many real estate conversations center on housing prices and where they may be headed. That is why there is tremendous value in the **Home Price Expectation Survey**. Every quarter, *Pulsenomics* surveys a nationwide panel of over one hundred economists, real estate experts and investment & market strategists about where prices are headed over the next five years. They then average the projections of all 100+ experts into a single number.

## The results of their latest survey:

- Values will appreciate by **4.6%** in 2014
- Cumulative appreciation will be **19.5%** by 2018
- That means the average annual appreciation will be **3.6%** over the next 5 years.
- Even the experts making up the most bearish quartile of the survey still are projecting a cumulative appreciation of almost **11.2%** by 2018

Individual opinions make headlines. This survey is a fair depiction of future values.





# WHERE ARE MORTGAGE INTEREST RATES HEADED?

*“One thing seems certain: we aren’t likely to see average 30-year fixed mortgage rates return to the historic lows experienced in 2012.”*

- Freddie Mac, March 24, 2014

There are those that hope that 30-year mortgage interest rates will head back under 4%. Obviously, for any prospective home purchaser that would be great news. However, there is probably a greater chance that interest rates will return to the greater than 6% rate of the last decade before they would return to the less than 3.5% rate of 2012.

Freddie Mac, on their blog, explained that current rates are still extremely low compared to historic averages.

## Mortgage Rates by Decade

Decade	Average Rate
1970s	8.86%
1980s	12.7%
1990s	8.12%
2000s	6.29%

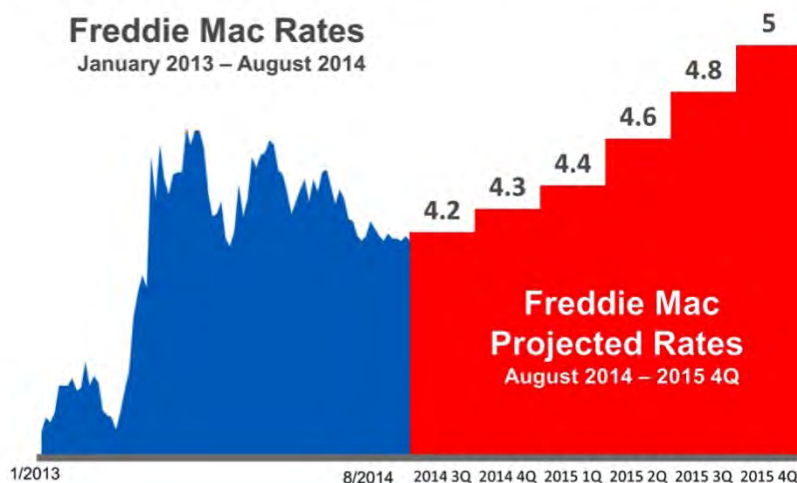
Freddie Mac

*“The all-time record low – since Freddie Mac began tracking mortgage rates in 1971 – was 3.31% in November 2012. Conversely, the all-time record high occurred in October of 1981, hitting 18.63%. That’s more than four times higher than today’s average 30-year fixed rate of 4.32% as of March 20... rates hovering around 4.5% may be high relative to last year, but something to celebrate compared to almost any year since 1971.”*

And Freddie Mac projects mortgage rates will increase going forward.

If you are thinking of purchasing another home, waiting for a dramatic decrease in mortgage rates might not make sense.

## 30 Year Fixed Rate Mortgages





## DON'T WAIT! MOVE UP TO THE HOME YOUR FAMILY ALWAYS WANTED

Now that the housing market has stabilized, more and more homeowners are considering moving up to the home they have always dreamed of. Prices are still below those of a few years ago and interest rates are still below 5%.

However, sellers should realize that waiting to make the move while mortgage rates are increasing probably doesn't make sense. As rates increase, the price of the house you can buy will decrease. Here is a chart detailing this point:

### Buyer's Purchasing Power

<b>RATE</b>	<b>6.00</b>	\$ 2,398	\$ 2,338	\$ 2,278	\$ 2,218	\$ 2,158
	<b>5.75</b>	\$ 2,334	\$ 2,276	\$ 2,218	\$ 2,160	\$ 2,100
	<b>5.50</b>	\$ 2,272	\$ 2,214	\$ 2,158	\$ 2,100	<b>\$ 2,044</b>
	<b>5.25</b>	\$ 2,208	\$ 2,154	\$ 2,098	<b>\$ 2,044</b>	\$ 1,988
	<b>5.00</b>	\$ 2,148	\$ 2,094	<b>\$ 2,040</b>	\$ 1,986	\$ 1,932
	<b>4.75</b>	\$ 2,086	<b>\$ 2,034</b>	\$ 1,982	\$ 1,930	\$ 1,878
	<b>4.50</b>	<b>\$ 2,026</b>	\$ 1,976	\$ 1,926	\$ 1,874	\$ 1,824
		<b>\$ 400,000</b>	<b>\$ 390,000</b>	<b>\$ 380,000</b>	<b>\$ 370,000</b>	<b>\$ 360,000</b>
			<b>-2.5%</b>	<b>-5%</b>	<b>-7.5%</b>	<b>-10%</b>



Principal and Interest Payments rounded to the nearest dollar amount.





## SHOULD I RENT MY HOUSE INSTEAD OF SELLING IT?

A recent study has concluded that **39%** of buyers prefer to rent out their last residence rather than sell it when purchasing their next home.

The study cites that many homeowners were able to refinance and *“locked in a very low mortgage rate in recent years. That low rate, combined with a strong rental market, means they can charge more in rent than they pay in mortgage each month... so they are going for it.”*

This logic makes sense in some cases. Residential real estate is a great investment right now. However, if you have no desire to actually become an educated investor in this sector, you may be headed for more trouble than you were looking for. Are you ready to be a landlord?

Before renting your home, you should answer the following questions to make sure this is the right course of action for you and your family.

### **10 Questions to Ask BEFORE Renting Your Home**

- 1.** How will you respond if your tenant says they can't afford to pay the rent this month because of more pressing obligations? (This happens most often during holiday season and back-to-school time when families with children have extra expenses).
- 2.** Because of the economy, many homeowners can no longer make their mortgage payment. What percent of tenants do you think can no longer afford to pay their rent?
- 3.** Have you interviewed experienced eviction attorneys in case a challenge does arise?



4. Have you talked to your insurance company about a possible increase in premiums as liability is greater in a non-owner occupied home?
5. Will you allow pets? Cats? Dogs? How big a dog?
6. How will you actually collect the rent? By mail? In person?
7. Repairs are part of being a landlord. Who will take tenant calls when repairs arise?
8. Do you have a list of craftspeople readily available to handle these repairs?
9. How often will you do a physical inspection of the property?
10. Will you alert your current neighbors that you are renting the house?

### **Bottom Line**

Again, renting out residential real estate historically is a great investment. However, it is not without its challenges. Make sure you have decided to rent the house because you want to be an investor, not because you are hoping to get a few extra dollars by postponing a sale.







## **FSBO'S MUST BE READY TO NEGOTIATE**

In a recovering market, some sellers might be tempted to try and sell their home on their own (FSBO) without using the services of a real estate professional. Real estate agents are trained and experienced negotiators. In most cases, the seller is not. The seller must realize their ability to negotiate will determine whether they get the best deal for themselves and their family.

Here is a list of some of the people with whom the seller must be prepared to negotiate if they decide to FSBO:

- The buyer who wants the best deal possible
- The buyer's agent who solely represents the best interest of the buyer
- The buyer's attorney (in some parts of the country)
- The home inspection companies which work for the buyer and will almost always find some problems with the house.
- The termite company if there are challenges
- The buyer's lender if the structure of the mortgage requires the sellers' participation
- The appraiser if there is a question of value
- The title company if there are challenges with certificates of occupancy (CO) or other permits
- The town or municipality if you need to get the COs permits mentioned above
- The buyer's buyer in case there are challenges on the house your buyer is selling.
- Your bank in the case of a short sale

# CONTACT ME TO TALK MORE

I'm sure you have questions and concerns...

I would love to talk with you more about what you read here, and help you on the path to selling your house. My contact information is below. I look forward to hearing from you...

Sierra Vista Home Selling Team specializes in Sierra Vista Real Estate and we are here for you!

[Contact my team](#) today!



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