

How to Buy a House in a Booming Market



NEW YORK -- The housing market has been rebounding and the increased competition is leaving the number of available homes scarce in many cities.

Home prices also have risen compared to last year as the number of homes sold rose in all parts of the country except for the Midwest, according to a recent report from PNC, the Pittsburgh-based financial institution. The median sale price for an existing single-family home was \$288,300 in July, up from \$279,700 in June.

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"The housing market continues to gradually recover from the Great Recession, supporting economic growth," Stuart Hoffman, chief economist for PNC. "Stronger demand and good affordability are supporting home sales and pushing up house prices."

Many economists are predicting that home prices will continue to increase this year. PNC said prices will rise by 3.7 percent in 2015 and 2.7 percent in 2016, down from 6.6 percent in 2014.

"This year we [saw] inventory continue to grow in August and while overall demand is strong, the trend in median days on market is suggesting that the market is finding more of a balance," said Jonathan Smoke, chief economist of Realtor.com, the San Jose, California, real estate service company. "This bodes well for would-be buyers who have been discouraged by the

inability to find a home to buy this spring and summer."

Consumers who are still eager to purchase a home still have many opportunities left to negotiate a deal within their price range. While it is tougher to buy a house in a tight market, here are some tips to give homebuyers a head start.

Looking for a house in the fall is generally a better bet. Even though there are fewer homes on the market right now, there are "definitely less buyers, so there's less competition," said Mark Lesses, a broker with Coldwell Banker in Lexington, Massachusetts.

Buying a Townhouse

Opting to buy smaller houses such as a townhouse might give you more possibilities. Townhomes tend to be more affordable than single family houses, he said.

"There will be people living on one or both sides of you, leading to a more congested living experience," Lesses said. "In addition, you don't have control over what you can do to the exterior of your home. For example, you usually can't garden or landscape. If you can, it's very limited and restrictive."

Moving to the Suburbs

If commuting to work daily doesn't pose itself as a stressful issue, then buying a house in the suburbs could make sense.

"There are quality of life issues on both sides of this conversation," he said. "It's more about lifestyle. If you work downtown and live in the city, you're going to have a shorter commute, but your experience of living in the city can be more stimulating to you."

Having a larger yard is more appealing to many people, so living in the suburbs isn't only more affordable, it is also practical, said Lesses.

Look for pockets in various neighborhoods that are starting to gentrify because fewer people will be putting in offers.

"I always recommend buyers look in fringe or up and coming areas of a town because common sense would say that if they are on the verge of becoming more popular and in demand, prices will strengthen and increase down the road," said Monica Webster, a licensed real estate salesperson at William Raveis in New York City and Greenwich, Connecticut.

Or look for the least expensive property in a more expensive neighborhood, said James Simpson, CEO of SQFT, a Boulder, Colorado-based company that offers an app that allows sellers to create home listings on hundreds of real estate sites.

"Buy a place you can afford, so that if the market does correct, you can ride it out," he said. "It always comes back."

Higher Down Payment

Being able to afford a higher down payment for a house that is on the top of your list means you might beat out offers from potential buyers who have less savings.

Having all of your savings tied up on your house can prove to be an issue if the market hits a downturn or you lose your job, Lesses said.

That's why it's important to get your finances in order.

Obtain a pre-certified or pre-approved mortgage and not just a pre-qualification, because it shortens the approval process, said Webster. A pre-certified mortgage means there is a written commitment from a lender who has verified your income and creditworthiness.

"Most lenders now offer a full pre-approval in which you go through the whole underwriting process ahead of time," said Bill Golden, a real estate agent with RE/Max Metro Atlanta Cityside. "When you find the right house, the only thing that will need to be done is the appraisal. That will also give you a leg up in the eyes of a seller."

While a pre-qualification is helpful, it is just an estimate on whether a consumer would likely be able to obtain credit. If you are sure this is the right home for you, aim to put the first offer in, because "time delays allow other buyers to enter the process," she said.

Potential homebuyers also need to determine what they can afford to pay monthly, because the tax savings from a mortgage means they could increase their current offer.

"When homes are selling over the asking price, many people are afraid to come in with a stronger offer because they haven't done the actual math of what owning a particular home will cost," said Sean Nagy, executive vice president of operations for The Money Source, Melville, New York mortgage loan servicer. "Taking the extra 30 minutes to lookup the property tax rate can mean the difference between putting an offer in at the asking price or actually getting the house by putting in an offer \$10,000 over the asking price."

Renters Who Wait Can Benefit

Buying a house during a tight market could prove to be an expensive endeavor. Staying out of the market might be a good option, because housing prices could level off and decline, said David Reiss, a law professor at Brooklyn Law School in Brooklyn, New York.

"Sometimes it is cheaper to rent," he said. "Don't try to time the real estate market. Look at your needs and what you could afford, and consider if it is a good choice."

The pent-up demand has made buying a home to be a challenging process, lengthening the "selling season."

"With such low inventory, homes are being snatched up the day they come on the market or

before, and most have multiple offers," said Golden. "During the winter holidays, you may have less competition, as people tend to be distracted with other things."

A competitive real estate market dictates that buyers must "get out of their comfort zone" such as being flexible with the closing date, said Jeremy Swillinger, an agent with Level Group, a New York City-based brokerage firm.

"I believe that purchasing a home in a tight market is part art and part science and is really about doing whatever possible to find the right balance that makes the sale terms attractive on both sides," he said.

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