



## **Buy Or Sell First - A Real Estate Puzzle That Is If Often Circular By Greg Nagel**

For most people, the prospect of moving can be daunting, particularly when a home sale is involved. Do you sell your current home first, before even looking for your next place? Do you lock down your dream home before putting your current house on the market? Do you rent for a while between purchases? The coordination involved can seem overwhelming.

As a real estate professional, I find working with clients to think through this complicated and sometimes circular process to be incredibly gratifying. It's my job to help them think through this situation given their personal and financial situation – there is definitely not a one-size-fits all solution.

### **Background Considerations**

Before getting started, a few basic questions need to be considered:

- Are we trying to minimize cost and/or time the market, or we aiming for minimum life interruption?
  - How financially motivated is the client?
  - How complicated is the client's life logistics?
    - Demanding job schedules
    - Kids / Pets
    - Pregnancies / Health
- Are we financially able to purchase first, in that we have the cash or credit purchase capacity to purchase before the sale?
  - The best approach is to get pre-approved for the maximum amount both ways:
    - Assuming that you're buying first
    - Assuming you're selling first
- Are we ok with the double move?
  - Moving is a lot of work
  - Having a set day provides certainty & allows for detailed planning reducing stress
  - Not having to buy on the clock often results in better purchase decisions
- Will it be easier to buy or sell given what we own, what we are looking for, and what the market is like?
  - How marketable is the current property that is owned?
    - What is the current home worth and what will be the proceeds post close?
  - What are we looking to buy, and how is the inventory level of that product?
    - What will purchase budget be?

- The current market: Right now it is a lot easier to sell than to buy as inventory is at a 10 year low. From the time of listing a home to sell to an actual close, I estimate a 45-90 day process, and would use 65 days as the average estimate.

### **So The Best Way To Start Is To Get Some Hard Data & Do Some Purchase Homework:**

1. What is max pre-approval amount assuming you're buying first vs. assuming you're selling first?
2. What is your home worth & what are the expected proceeds from the sale?
  - a. Broker to do full CMA
  - b. Broker to help seller estimate closing costs, loan balance, and calculate proceeds
3. Do a home search consultation to determine what you're looking, establish a budget, and assess the inventory level to determine the feasibility and estimated search time.
4. Do a "Lookey Lu", an outing to view 3-8 props with no intention to buy to narrow down what you're looking for to gauge how easily you will find your next home

### **Advantages To Buying First**

- Guaranteed to avoid the double move & set up your new home before you move in.
  - Make improvements like floor sanding & painting before moving in.
  - There is a place to move your belonging to.
  - Fully prep your home: Get the new home in fully livable shape including items like having cable, WIFI, baby monitors, furniture, shower curtains, etc.
- Because inventory is so low, it's harder to find a new home than it is to sell an existing home in the vast majority of circumstances. Buyers who don't have the time pressure of previously selling their house can take their time, stalk the market, and buy something they love. If upgrading, the new home purchase is a bigger and more material transaction, so making it first and giving it priority makes sense.

### **Advantages To Selling First**

- Avoid having to absorb potential costs of owning 2 homes (mortgages, taxes, potentially assessments).
- Control the date you list property to maximize the sale price.
- Although you're most likely going to have to make 2 moves, you can control the timing of your purchase to try to time the market. Also, you can hard plan your move dates providing certainty and reducing stress.

As you now have a lot more info about your situation knowing what your selling proceeds are, your expected purchase costs and estimated search time, and lastly what your financing options that are available to you, you should be in a much better position to weigh the advantages of buying or selling first. Client's preferences will vary largely on how important it is to save money and possible even build equity by timing the market versus having a smoother logistical single move.

### **A Chance To Have Your Cake & Eat It Too**

It is very possible to get a home you're selling under contract, and then find a property you love and close on it before you close on your sale.

In this scenario, you can sell your home first avoiding risk of double home carrying costs, but then close the purchase before you close on the sale avoiding the double move. This is possible even if the purchase amount

is subject to your selling first, as long as your sale has gone hard with no contingencies (inspection / attorney /mortgage - appraisal). Note that each lender can vary on this, and even the type of loan (conventional vs jumbo) can impact this so going over specifics with lender in advance of executing this strategy is critical.

There is a risk of rushing the purchase process and not buying what you love.

Having done a home search consultation and a “Lookey Lu” in advance of the listing the property, will partially offset the risk. A willingness to do the double move and rent if needed will eliminate this risk.