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*Right now is a great time to buy a home or investment property. But there's also a lot of misinformation being spread by the media. This report sets the record straight to help you avoid costly mistakes and make the most of today's advantageous market conditions.*

# How and Why to Buy a Home in a Buyer's Market

 (and Avoid the Mistakes that Stop Most Buyers from Capitalizing on the Opportunities Available Today)

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# How and Why to Buy a Home in a Buyer's Market

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**E**conomic times have changed. The real estate marketplace has changed ... and there's a world of opportunity out there for home buyers and real estate investors looking to purchase property. But to truly make the most of your investment dollar, you need to know what to expect from the marketplace.

Many buyers have been fooled into believing that today's market conditions will allow them to dictate the price and all conditions on any home they choose. *How and Why to Buy a Home in a Buyer's Market* is here to set the record straight and help you establish realistic expectations in order to get the best property at the best price. In this report, you'll learn:

- When to buy in order to best capitalize on market conditions.
- How to avoid the mistake of waiting for the "perfect price" only to miss out on a great home buying opportunity.
- Why homesellers aren't as desperate as the media makes them out to be.
- The popular misconceptions about buying distressed property and why you most likely will not want to pursue this route.
- Four keys to ensuring you make the most of your purchase, and more!

Dear Prospective Home Buyer:

Thank you for taking the time to read this report. I hope you find it valuable in helping you make the most of the current market conditions. My intent in creating this report was twofold – to help buyers get the best deal for their dollar, and also to help you avoid some of the costly mistakes buyers can make even in a buyer's market.

There's no doubt that a buyer's market is a great time to buy a home or investment property. Regardless of market conditions, real estate has traditionally been one of the best long-term investments people can make. Now as the market has slowed from its record pace we experienced over the last few years, buyers have even greater opportunities and more choices when searching for a home.

## Are Your Expectations Realistic?

One thing I've noticed working in real estate, however, is that it's easy to be overly influenced by news reports that tend to sensationalize market conditions in their pursuit of a juicy story. When you continue to hear that it's a buyer's market and the news focuses on mortgage woes and foreclosure rates, buyers often start getting unrealistic expectations concerning what they are going to be able to pay for a property. Buyers sometimes also fear that the market will continue to slide, so they try to wait until the exact moment that the market bottoms out and once again begins its upward ascent.

My goal in this report is to help you overcome those fears and to help you set realistic expectations to best capitalize on the advantageous market conditions we're experiencing.

## How Long Will the Market Continue Its Slide?

The big question on many buyers' minds right now is, "Should I buy now or is the market going to continue its slide?" The problem is that no one can predict exactly what the market will do. What I want to do in this report is arm you with the information you need so you can make the best decision for your individual goals.

The reality of the situation is that prices are moderate in the grand scheme of things. Even though we're in a buyer's market, due to interest rates remaining stable and near all-time lows, prices are not going to drop dramatically like we've seen in the real estate recessions of the past.

Many market forecasts predict that the current real estate market conditions will persist for the next couple of years. Like any market economy, real estate tends to rise and fall on a cyclical basis, with the rises usually outperforming the declines. This is why owning real estate is often such a wise long-term investment.

## So Should I Buy Now?

Let's say you decide to buy a property today. Even if prices continue to soften by five percent over the next couple of years, the tax advantages of home ownership will offset those costs. Then at some point in the next couple of years, prices will begin to rise again.

Once prices begin to rise, you will have fewer choices, less opportunity and you will pay more for a property. That's why I believe you're definitely better off buying now during the decline rather than trying to wait for that one perfect moment. Many a hesitant buyer has missed out on great opportunities by trying too hard to pinpoint the exact "bottom out" moment in market-based investments.

These factors are especially true for those buying their first home today. The pride of home ownership and the investment in building for your future far outweigh any negative implications from prices continuing to slide a few percentage points. The risk factor in buying real estate today is very minimal.

## You're Not Going to "Steal" A House

During a buyer's market, I always tend to get a few calls from excited buyers who have been watching too much TV news and are convinced they're going to find an extraordinary deal. Yes, foreclosure rates are up, but buying distressed property is an entirely different investment game than looking to buy a home for you and your family at a good price.

Buying a foreclosed property often requires an all cash transaction and often doesn't allow you the luxury of a home inspection. Foreclosures also frequently require lots of clean-up and improvements, which is why most of them don't turn into extraordinary investments. They tend to be found in areas that are overbuilt, making them hard to sell even when they are fixed up. Overall, buying a distressed property such as a foreclosure, a short sale or an REO (more on these later) is an emotionally charged and very difficult process that only adds to the stress and challenge of buying real estate.

The truth is that most sellers today are not desperate to sell immediately. When buyers come into a transaction with a perception that they are going to be able to present a lowball offer and buy a house at a "steal," they only end up alienating themselves and insulting the sellers.

## Unraveling the Distressed Property Myths

In a buyer's market, people's unrealistic expectations of what they can get for their dollar are often due to a lack of understanding of exactly what is involved in buying a distressed property. They hear terms in media reports but don't have a complete grasp of the definitions of these various types of transactions. That's why I want to

provide some insight into what a “short sale” and “REO” mean.

## Short Sale

A short sale is a transaction in which the lender agrees to forgive part of the loan. This is an offer made from the lender with the aim of staving off foreclosure. In the vast majority of cases, the lender initiates a short sale. A homeowner can request a short sale, but in most cases, the lender is only going to agree to it when it’s in their best interests.

In a short sale, the seller gets some debt forgiven, but the buyer isn’t typically getting a great deal on sale price of the property. There’s a lot of hype about short sales that tends to give buyers false hope, but it’s primarily due to a misunderstanding of what a short sale entails.

Short sales are intended to give a property owner who owes more than the property is worth an incentive to sell the property and move out instead of going through a foreclosure.

## REO

REO stands for “real estate owned,” which means property owned by a bank or a lending institution. These properties are not owned by a private party. Now, a bank or lending institution isn’t in the business of holding property, but on the other hand, they possess the financial wherewithal to wait for a reasonable offer before selling. What’s more, they have a staff of real estate appraisers working for them, so they aren’t going to sell a property at an amazingly discounted price. Most REOs sell for very close to fair market value.

Banks do, however, tend to frequently offer 90 or 100 percent financing to those with immaculate credit when buying an REO. If you have a perfect credit rating, you may be able to purchase an REO with little money down. Here’s the dilemma

– the types of homes most people with perfect credit are looking for usually do not exist in the REO marketplace. REOs are not often your nice upscale homes. This is because most people with reasonable credit realize they are in financial trouble and take steps to sell their home long before they get into desperate financial straits.

REOs are viable opportunities for investors with great credit looking to expand their portfolios, but otherwise the hype surrounding them has created a false perception that they offer the single-family home buyer a great bargain. Sadly, this just isn't true.

## Here's the Good News

Now that we've overcome some of the misconceptions regarding buying in a buyer's market, we can begin making strides toward finding the best deal for your needs. I believe there are four distinct keys to ensuring you make the most of your purchase.

### **1. SELL YOUR HOUSE FIRST**

If you currently own a house that you will need to sell in order to buy a new home, sell it first. The best way to make the most of the buyer's market is to rid yourself of any contingencies that could prevent you from acting quickly. When you have already sold your house and prepared your finances (getting pre-approved), you can be more decisive throughout the home-buying process.

The more you can prepare yourself to act quickly when exposed to an opportunity, the better off you're going to be. Many buyers are still hedging their bets and trying to decipher whether or not to buy. In a couple years those people will probably be in the same place they are now, wishing they had purchased when the opportunity presented itself.

## **2. DON'T MAKE LOWBALL OFFERS**

Once you find a property you are interested in purchasing, you then must develop an offer to present to the seller. The mistake many buyers make is they say to themselves, “What can it hurt to offer 60 percent of the asking price?” Well, it hurts your relationship with the seller, for one thing. Remember, just because the market has shifted doesn't mean that sellers are desperate.

A good rule of thumb is to never offer anything below the outstanding loan balance on the property. If you offer below what the owner owes the bank, it's cheaper for the owner to simply give the house back to the bank. When deciding upon your offer, it's best to have your agent talk to the listing agent to get a feel for what might be an acceptable offer. This avoids the risk of angering the seller, which would prevent them from making a reasonable counteroffer that might lead to a mutually beneficial negotiation.

Being in a buyer's market is also a good opportunity to ask for some incentives. If you want an extended home warranty, the house painted, new carpeting or new appliances, be sure to include them in your original offer. In a buyer's market, these are things sellers are often willing to provide on a reasonably priced offer. So think about what improvements you want to make to the property and include them in your offer.

## **3. IF BUYING DISTRESSED PROPERTY, KNOW YOUR STUFF**

If you are still interested in pursuing buying a foreclosure, short sale or REO, make sure you thoroughly understand everything involved before you get started. Lack of information can dig you a deep hole and waste your time and energy.

## 4. FIND A GOOD ALLY

The best way to ensure you see all the opportunities and get the best guidance throughout the process of buying a home is to develop a strong relationship with a real estate professional who can keep you abreast of what's happening and find properties that fit your preferences.

Your objective is to find an agent with whom you can be open and honest. Then, tell them your goals and speak freely to ensure you are both on the same page before you embark on the home search journey.

In a slow market, it's easier to identify the best agents. Many part-time and inexperienced agents tend to stop marketing during a slower market. You want a highly visible agent who is committed to the industry and knowledgeable on current market trends. You can begin your search based on the quality of their marketing materials. Check out their Web site. When you meet with an agent, ask if he or she has a buyer's questionnaire. A buyer's questionnaire will help you further think through your objectives and potentially raise issues and questions you might not have thought of otherwise.

### Make Your Move

By following these four steps, you're well on your way to taking advantage of some of the best market conditions in years when it comes to buying a home. One thing to keep in mind is that in a buyer's market, the homes tend to be smaller, meaning you typically will pay less for location and homes that are highly upgraded. The key is to be very clear about what type of home features and location you really want.

This is where a buyer qualification comes in very useful. It will help you to identify your objectives and the features that are very important to you.

Once you are clear about it, get in the ready position to buy whether it's the first house or the 20th house that you see. When you feel it's right, make a reasonable offer. Then you will enjoy being in your home, getting the tax benefits and the pride that comes with owning your own home. Know that even if there is a slight dip in property values in the first year you buy it, that within three years your home is very likely to be worth more than it is now, and you will be better off and happier than if you had been renting all those years.

Right now real estate is in what they call a buyer's market. That means it's a great time to buy. Buyers have lots of homes to choose from and are in the driver's seat when it comes to buying a home at a great value. The funny thing that I have noticed over the years is that most buyers have a hard time buying in a buyer's market. Their fear is a result of the negative press that always accompanies a buyer's market – the repeated negativity makes them hesitate. They often decide to take a “wait and see” attitude. Time goes by and they keep waiting to know for sure that the market has bottomed out.

The problem is that the press never reports when the market has stabilized and is now a balanced market. In a balanced market, buyers have fewer choices and less negotiating power and end up losing out on home after home because they keep thinking like it's a buyer's market. By the time they accept the reality of the market, it has switched to a seller's market and they end up settling for less and paying more. The great investor Warren Buffet says the reason most people never become wealthy is that can't seem to break out of the herd mentality and buy in a buyer's market, even when a buyer's market is the best time to buy.

I believe that if you follow the advice in this special report, you can move forward and buy a home confident that you are making a good decision.

## Count on Me

I'd love to assist you in your journey however possible. I invite you to give me a call so we can set up time to talk and begin the process of helping you find the perfect property for your needs.

I hope you found this report valuable, and I look forward to hearing from you soon.

Notes