THINGS TO CONSIDER WHEN

SELLING YOUR HOUSE

SUMMER 2016
EDITION

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5 REASONS TO SELL THIS SUMMER

As the temperature rises, buyers are coming out ready to purchase their dream homes. The summer is a great time to list your home for sale. Here are five reasons why:

1. Demand Is Strong

The latest *Buyer Traffic Report* from the *National Association of Realtors (NAR)* shows that buyer demand remains very strong throughout the vast majority of the country. These buyers are ready, willing and able to purchase… and are in the market right now!

Take advantage of the buyer activity currently in the market.

2. There Is Less Competition Now

Housing supply is still under the 6-month supply that is needed for a normal housing market. This means, in most areas, 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 this summer.

Also, as builders regain confidence in the market, new construction of single-family homes is projected to continue to increase over the next two years, reaching historic levels by 2017.

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

3. The Process Will Be Quicker

Fannie Mae just announced that they anticipate an acceleration in home sales that will surpass 2007's pace by late summer. As the market heats up, banks will be inundated with loan inquiries causing closing-time lines to lengthen. Selling now will make the process quicker & simpler.

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 5.3% over the next year. 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 near 4% right now. Rates are projected to increase by almost three-quarters of a percent in the next 12 months.

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 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.

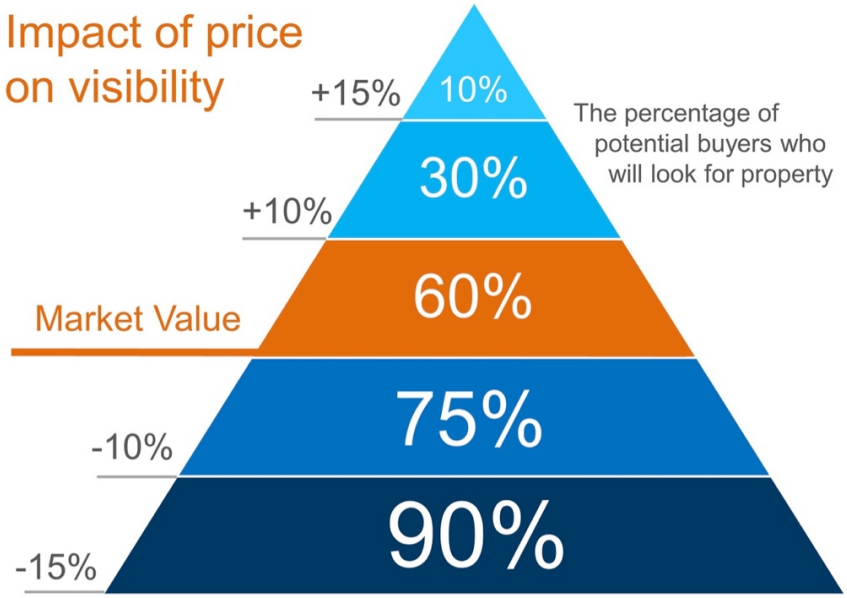
That is what is truly important.

HOW TO GET THE MOST MONEY FROM THE SALE OF YOUR HOME

Every homeowner wants to make sure they maximize their financial reward when selling their home. But how do you guarantee that you receive maximum value for your house? Here are two keys to ensuring you get the highest price possible.

1. Price it a LITTLE LOW

This may seem counterintuitive. However, let's look at this concept for a moment. Many homeowners think that pricing their home a little OVER market value will leave them room for negotiation. In actuality, this just dramatically lessens the demand for your house.
(see chart below)



Instead of the seller trying to 'win' the negotiation with one buyer, they should price it so that demand for the home is maximized. In that way, the *seller* will not be fighting with a *buyer* over the price, but instead will have *multiple buyers* fighting with *each other* over the house.

Realtor.com, recently gave this advice:

"Aim to price your property at or just slightly below the going rate. Today's buyers are highly informed, so if they sense they're getting a deal, they're likely to bid up a property that's slightly underpriced, especially in areas with low inventory."

2. Use a Real Estate Professional

This too may seem counterintuitive. The seller may think they would net more money if they didn't have to pay a real estate commission. With this being said, studies have shown that homes typically sell for more money when handled by a real estate professional.

Recent research posted by the *Economists' Outlook Blog* revealed that:

"The median selling price for all FSBO homes was $210,000 last year. When the buyer knew the seller in FSBO sales, the number sinks to the median selling price of $151,900. However, homes that were sold with the assistance of an agent had a median selling price of $249,000 - nearly $40,000 more for the typical home sale."

Bottom Line

Price your house at or slightly below the current market value and hire a professional in order to guarantee that you maximize the price you get for your house.

LACK OF LISTINGS SLOWING DOWN THE HOUSING MARKET

The housing crisis is finally in the rearview mirror as the real estate market moves down the road to a complete recovery. Home values are up. Home sales are up. Distressed sales (foreclosures and short sales) have fallen dramatically. This will be the year that the housing market again races forward.

However, there is one thing that may cause the industry to tap the brakes: a lack of housing inventory. While buyer demand looks like it will remain strong throughout the summer, supply is not keeping up. Here are the thoughts of a few industry experts on the subject:

David Crowe, *Chief Economist for the National Association of Home Builders*:
"Many sellers may not have an absolute decision as to whether to buy an existing home or a new home. So the low inventory of existing homes is locking them in place."

Ralph McLaughlin, *Chief Economist with Trulia:*
"We are in a time of short supply, which is great news for sellers because they will likely be faced with multiple offers due to the little inventory out there…Buyers will be up against a lot of other people and against a short supply of existing homes."

Fitch Ratings:
"One important issue that has restrained sales and starts is inventory. On an absolute basis, inventory has not expanded as much as in past recoveries, leading to less selection for buyers. This is especially true for existing home sales but is evident for new home construction as well. When it comes to U.S. housing inventory, more is better."

Lawrence Yun, *Chief Economist at NAR*:
"First-time buyers in high demand areas continue to encounter instances where their offer is trumped by cash buyers and investors. Without a much-needed boost in new and existing-homes for sale in their price range, their path to homeownership will remain an uphill climb."

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. For the past three years, 92% of all buyers have used the internet in their home search according to the *National Association of Realtors'* latest *Profile of Home Buyers & Sellers*.

However, the report also revealed that **95% 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 an agent to find the actual home they will buy (53%), or to negotiate the terms of the sale & price (48%), or to understand the process (60%).

The plethora of information now available has 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.

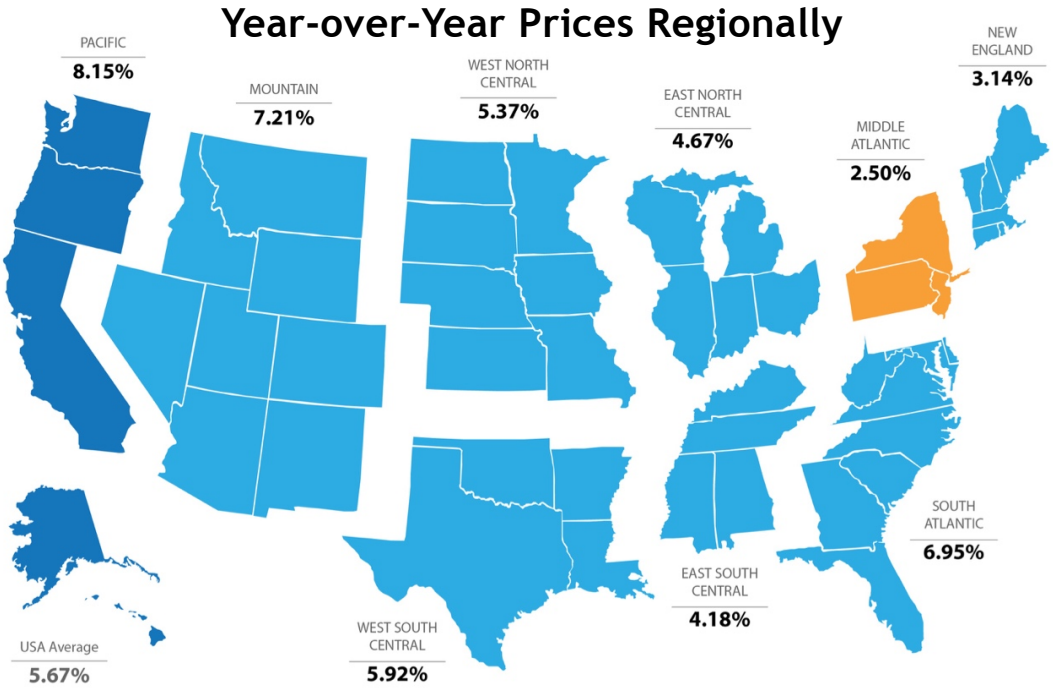
Bottom Line

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

HOME PRICES OVER THE LAST YEAR

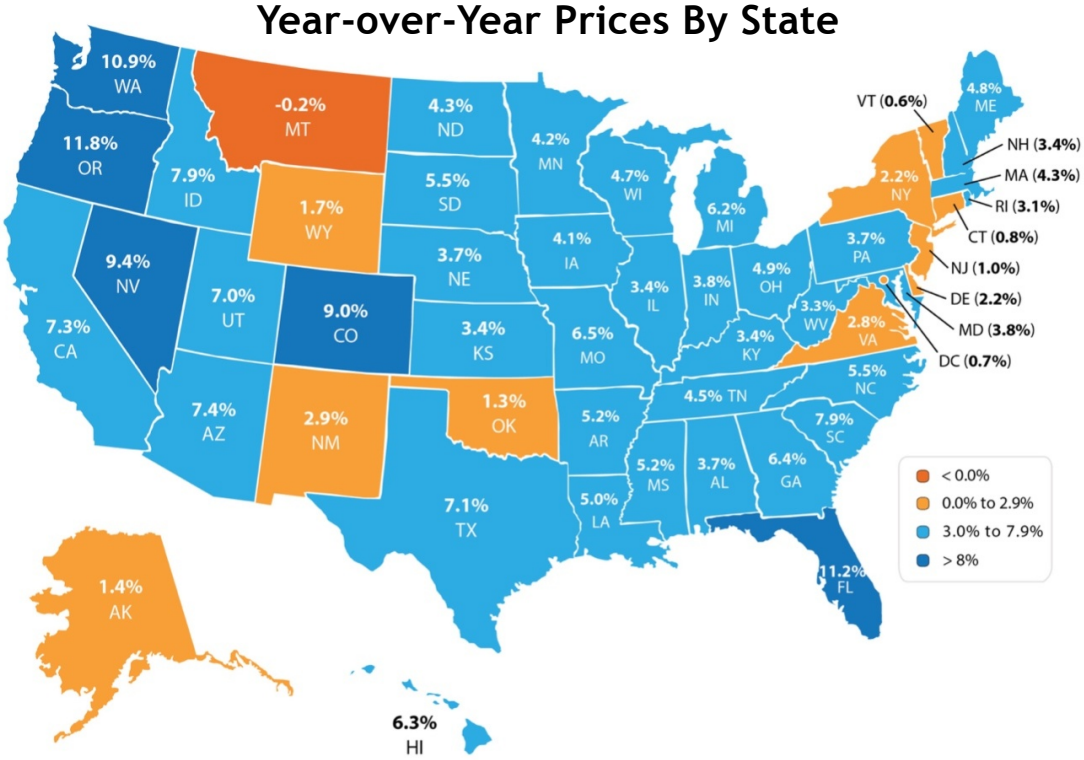
Every quarter, the *Federal Housing Finance Agency (FHFA)* reports on the year-over-year changes in home prices. Below, you will see that prices are up year-over-year in every region.

Year-over-Year Prices Regionally



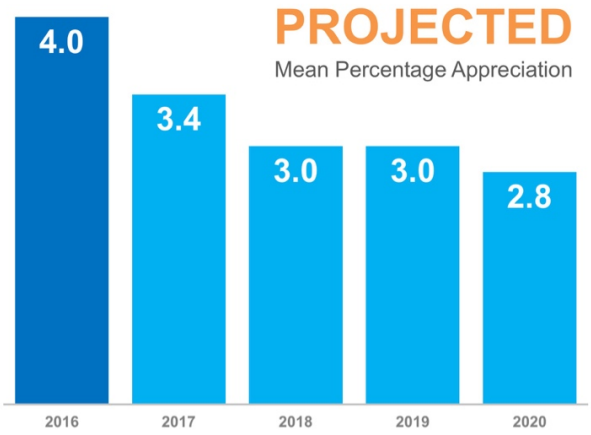
Looking at the breakdown by state, you can see that each state is appreciating at a different rate. This is important to know if you are planning on relocating to a different area of the country. Waiting to move may end up costing you more!

Year-over-Year Prices By State



HOME PRICES: A 5 YEAR OUTLOOK

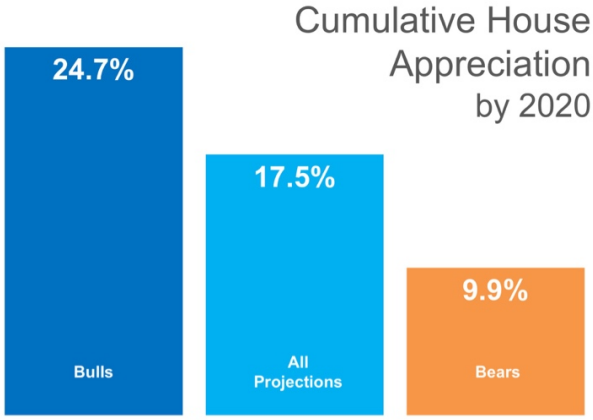
Today, many real estate conversations center on housing prices and where they may be headed. That is why there is tremendous value in the *Home Price Expectation Survey*. Every quarter, *Pulsenomics* surveys a nationwide panel of over 100 economists, real estate experts and investment & market strategists 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%** in 2016
- Cumulative appreciation will be **17.5%** by 2020
- That means that the average annual appreciation will be **3.2%** 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 **9.9%** by 2020

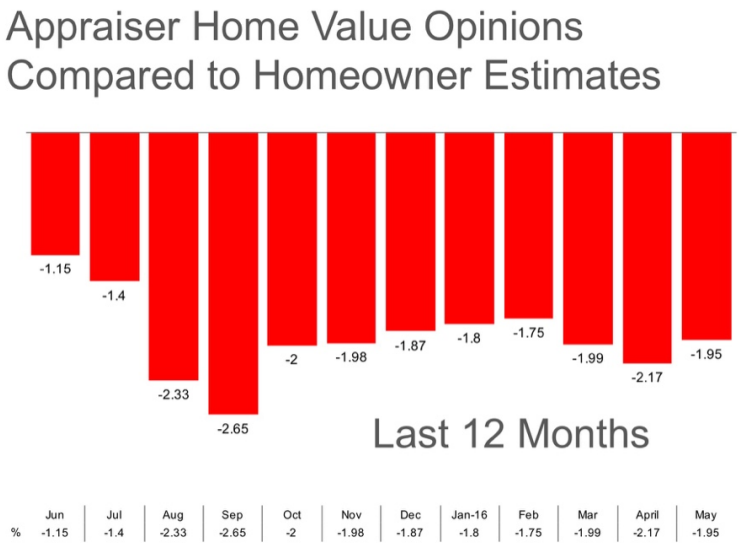
Individual opinions make headlines. This survey is a fair depiction of future values.



THE IMPACT OF RISING PRICES ON HOME APPRAISALS

The fact that residential home prices are increasing substantially in most regions of the country is music to the ears of homeowners. However, if you are in the process of selling your home, make sure you are aware of the major challenge a hot real estate market creates.

Each house must be sold twice; once to a buyer and a second time to an appraiser who represents the bank that will grant the purchaser a mortgage to buy the home (unless it is an "all cash" purchase). In a real estate market with escalating prices, the second sale may be the more difficult one. The *Quicken Loans Home Price Perception Index* reveals that the gap between what a homeowner believes is the value of their home compared to the appraisal has widened.



This could lead to an increase in the percentage of real estate transactions being challenged by a 'short' appraisal (where the appraiser value is less than the contracted price of the home).

Bottom Line

If you are planning on selling your home, you must be prepared for this possibility as it may result in a renegotiation of the price of the home.

HOME EQUITY: YOU MAY HAVE MORE THAN YOU THINK

CoreLogic's latest *Equity Report* revealed that 92% of all mortgaged properties are now in a positive equity situation. The report also revealed that *"an additional 850,000 properties would regain equity if home prices rose another 5 percent."*

Price Appreciation = Good News For Homeowners

Frank Nothaft, *CoreLogic's Chief Economist*, explains:

"In Q4 of last year home equity increased by $680 billion or 11.5 percent, the 13th consecutive quarter of double digit growth. The improvement in equity reflects positive home prices and continued deleveraging of mortgage balances by households."

Anand Nallathambi, *President & CEO of CoreLogic*, believes this is a great sign for the market in 2016 as well, as he had this to say:

"The number of homeowners with more than 20 percent equity is rising rapidly. Higher prices driven largely by tight supply are certainly a big reason for the rise, but continued population growth, household formation and ultra low interest rates are also factors. Looking ahead in 2016, we expect home equity levels to continue to build, which is a good thing for the long-term health of the U.S. economy."

But do they realize their equity position has changed?

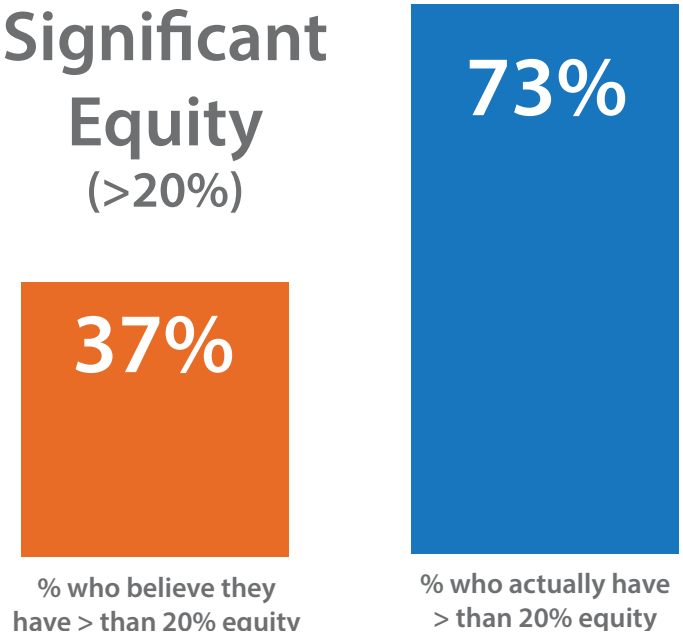
A study by *Fannie Mae* suggests that many homeowners are not aware that they have regained equity in their home as their investment has increased in value. For example, their study showed that 23% of Americans still believe their home is in a negative equity position when, in actuality, *CoreLogic's* report shows that only 8% of homes are in that position (*down from 9% in Q2*).

The study also revealed that only 37% of Americans believe that they have “significant equity” (greater than 20%), when in actuality, 73% do!

This means that 37% of Americans with a mortgage fail to realize the opportune situation they are in. With a sizable equity position, many homeowners could easily move into a housing situation that better meets their current needs (moving to a larger home or downsizing).

Fannie Mae spoke out on this issue in their report:

“Homeowners who underestimate their homes’ values not only underestimate their home equity, they also likely underestimate: 1) how large a down payment they could make with their home equity, 2) their chances of qualifying for mortgages, and, therefore, 3) their opportunities for selling their current homes and for buying different homes.”



Bottom Line

If you are one of the many Americans who are unsure of how much equity you have built in your home, don’t let that be the reason you fail to move on to your dream home in 2016!

DON'T WAIT! MOVE UP TO THE HOME YOU 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 4%.

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 afford will decrease if you plan to stay within a certain budget for your monthly housing costs.

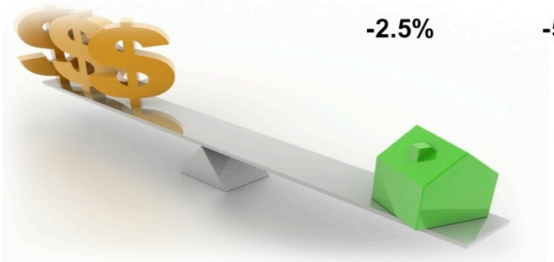
The chart on the right details this point.

With each quarter of a percent increase in interest rate, the value of the home you can afford decreases by 2.5%, (in this example, $10,000). Experts predict that mortgage rates will be closer to 5% by this time next year.

Act now to get the most house for your hard-earned money.

Buyer's Purchasing Power

RATE					
5.25	$ 2,208	$ 2,154	$ 2,098	$ 2,044	$ 1,988
5.00	$ 2,148	$ 2,094	$ 2,040	$ 1,986	$ 1,932
4.75	$ 2,086	$ 2,034	$ 1,982	$ 1,930	**$ 1,878**
4.50	$ 2,026	$ 1,976	$ 1,926	**$ 1,874**	$ 1,824
4.25	$ 1,968	$ 1,919	**$ 1,869**	$ 1,820	$ 1,771
4.00	$ 1,910	**$ 1,862**	$ 1,814	$ 1,766	$ 1,719
3.75	**$ 1,852**	$ 1,806	$ 1,760	$ 1,714	$ 1,667
	$ 400,000	**$ 390,000**	**$ 380,000**	**$ 370,000**	**$ 360,000**
		-2.5%	**-5%**	**-7.5%**	**-10%**



Principal and Interest Payments
rounded to the nearest dollar amount.

5 REASONS YOU SHOULDN'T FOR SALE BY OWNER (FSBO)

In today's market, with home prices rising and a lack of inventory, some homeowners may consider trying to sell their home on their own, known in the industry as a For Sale by Owner (FSBO). There are several reasons why this might not be a good idea for the vast majority of sellers.

Here are the top 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 For Sale by Owner.

- 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

2. Exposure To Prospective Purchasers

Recent studies have shown that 88% of buyers search online for a home. That is in comparison to only 21% 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 purchase?

- 44% on the internet
- 33% from a Real Estate Agent
- 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 8% 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 estate agent's commission. The seller and buyer can't both save the commission.

Studies have shown that the typical house sold by the homeowner sells for $210,000 while the typical house sold by an agent sells for $249,000. This doesn't mean that an agent can get $39,000 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.

Bottom Line

Before you decide to take on the challenges of selling your house on your own, let's get together and discuss your needs.

IF YOU ARE THINKING OF SELLING, NOW IS THE TIME

If you thought about selling your house this year, now may be the time to do it. The inventory of homes for sale is well below historic norms and buyer demand is skyrocketing. We were still in high school when we learned the concept of supply and demand: the best time to sell something is when supply of that item is low and demand for that item is high. That defines today's real estate market.

Jonathan Smoke, the *Chief Economist* of *realtor.com*, in a recent article revealed that:

"Would-be buyers face a dilemma: There will be more homes on the market over each week of the next three to four months, but there will also be even more prospective buyers. We are entering the busiest season of home buying with the lowest amount of inventory in three years. To be competitive, buyers should get pre-approved for a mortgage and be ready to act quickly if they find a home that meets their needs."

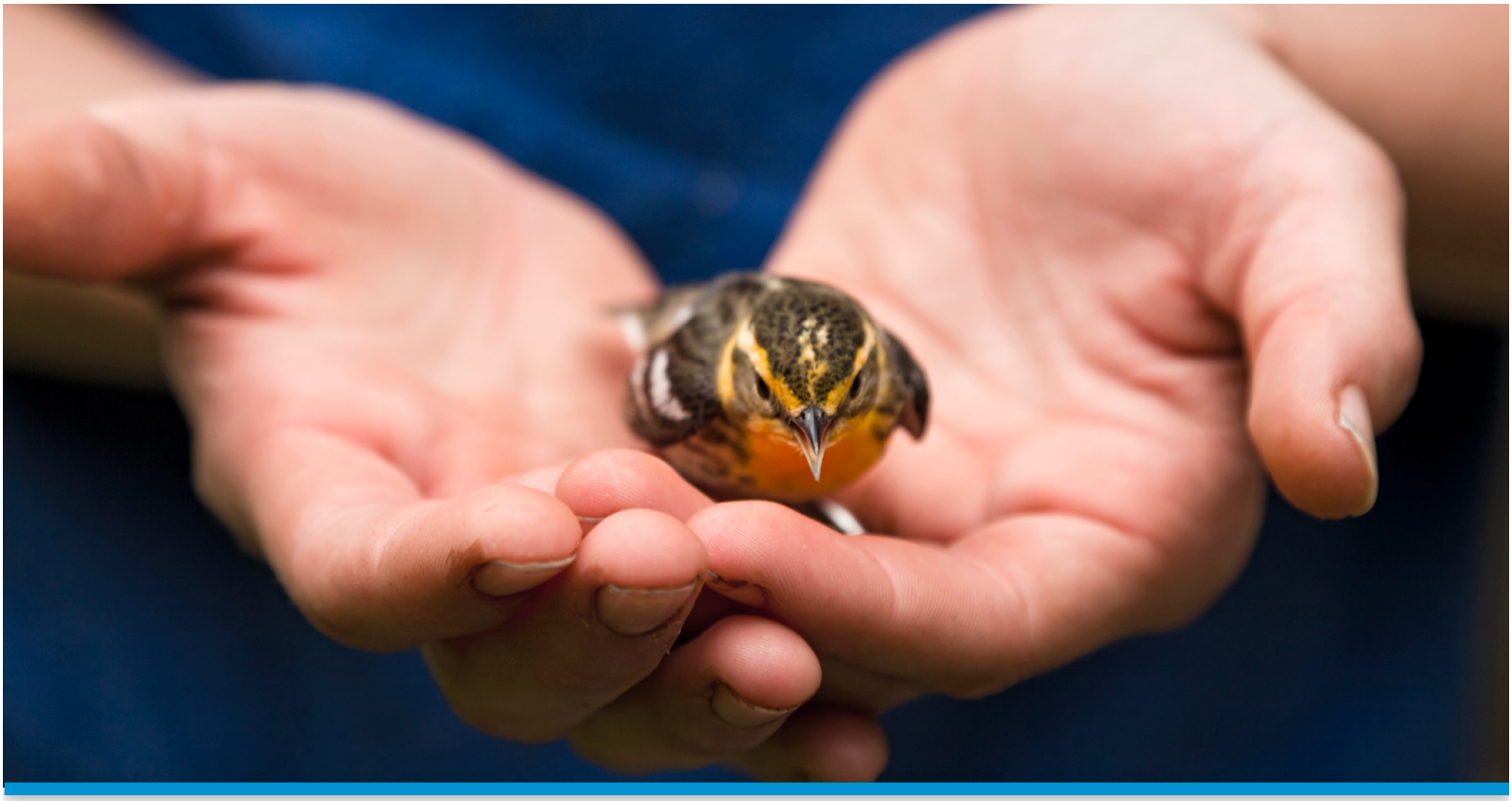
Smoke goes on to say:

"Listings are growing as they normally do this time of the year, but because demand has been growing faster than supply, homes are selling faster. So the monthly trend is the normal seasonal pattern, but the year-over-year decline is reflective of demand being stronger than supply for more than a year, which is resulting in fewer homes available and faster-moving inventory."

In this type of market, a seller may hold a major negotiating advantage when it comes to price and other aspects of the real estate transaction including the inspection, appraisal and financing contingencies.

Bottom Line

As a potential seller, you are in the driver's seat right now. It might be time to hit the gas.



A 'BUYER' IN HAND IS WORTH TWO IN THE BUSH

In today's highly competitive seller's market where there are more buyers than there are listings for them to purchase, some sellers may feel like the ball is in their court.

And they would be right when it comes to choosing which offer to accept, the closing date, or even which improvements the seller is willing to make to the home prior to selling.

One thing to remember though is that there is always a line that shouldn't be crossed.

Interest rates could change, financing might not go through, the appraisal might not come back at the price that you have agreed to. These are all opportunities to work with your buyer to make sure that the sale still happens.

You may think that because buyer demand is high right now, that you could choose to make your buyer jump through hoops. But what happens if they reach their limit and need to walk away? You're starting over… weeks, maybe months later… and other buyers may wonder what's wrong with the house that the deal fell through.

The Golden Rule

We were all taught from a young age to "treat others as you would like to be treated". This shouldn't change once you have a buyer who seems as though they would do anything to buy your home.

BABY BOOMERS FINDING FREEDOM IN RETIREMENT

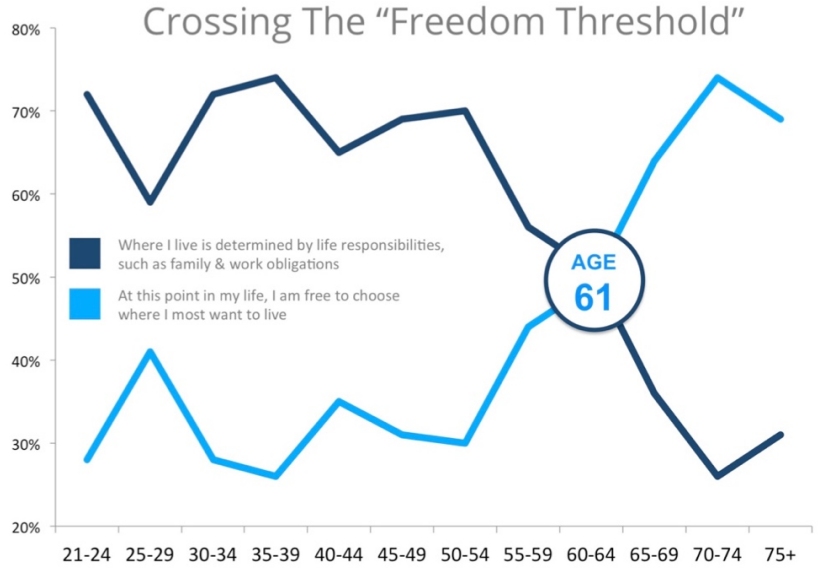
Within the next five years, Baby Boomers are projected to have the largest household growth of any other generation during that same time period, according to the *Joint Center for Housing Studies (JCHS) at Harvard University*. Let's take a look at why…

In a recent *Merrill Lynch* study, *"Home in Retirement: More Freedom, New Choices,"* nearly 6,000 adults, ages 21 and older, were surveyed about housing.

Crossing the *"Freedom Threshold"*

Throughout our lives, there are often responsibilities that dictate where we live. Whether being in the best school district for our children, being close to our jobs, or some other factor is preventing a move, the study found that there is a substantial shift that takes place at age 61.

The study refers to this change as *"Crossing the Freedom Threshold"* - when where you live is no longer determined by responsibilities, but rather a freedom to live wherever you would like.

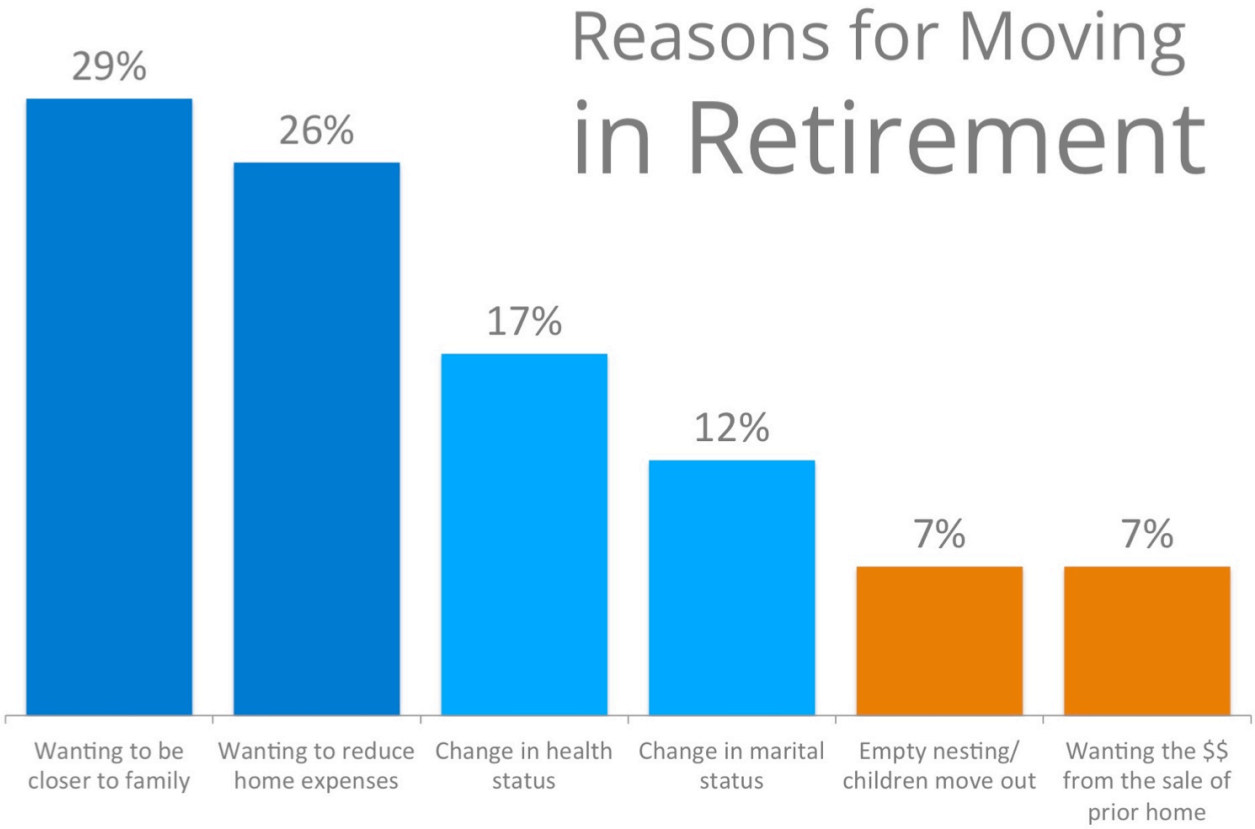


As one participant in the study stated: *"In retirement, you have the chance to live anywhere you want. Or you can just stay where you are. There hasn't been another time in life when we've had that kind of freedom."*

On the Move

According to the study, *"an estimated 4.2 million retirees moved into a new home last year alone."* Two-thirds of retirees say that they are likely to move at least once during retirement.

The top reason to relocate cited *was "wanting to be closer to family"* at 29%, while a close second was *"wanting to reduce home expenses." See the chart below for the top 6 reasons broken down.*



Not Every Baby Boomer Downsizes

There is a common misconception that as retirees find themselves with fewer children at home, they will instantly desire a smaller home to maintain. While that may be the case for half of those surveyed, the study found that three in ten decide to actually upsize to a larger home.

Some choose to buy a home in a desirable destination with extra space for large family vacations,
reunions, extended visits, or to allow other family members to move in with them.

"Retirees often find their homes become places for family to come together and reconnect, particularly during holidays or summer vacations."

Bottom Line

If your housing needs have changed or are about to change, let's get together to discuss the options available to you now.

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 your 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 fee they charge, just like a great doctor or a great accountant.

You want to deal with one of the best agents in your marketplace. To do this, you must be able to distinguish an average agent from a 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 the '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 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 of listing, etc.), don't expect them to turn into a *superhero* when they are negotiating for you and your family with the buyer.

4. Help With Relocation

If you haven't yet picked your new home, make sure that 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 that needs to be done to attain your goal (i.e. price correction, repair, removing clutter), insist that they have the courage to inform you.

Good agents know how to deliver good news. Great agents know how to deliver tough news. In any market, YOU NEED A GREAT AGENT!

TWO THINGS YOU DON'T NEED TO HEAR FROM YOUR LISTING AGENT

You've decided to sell your house. You begin to interview potential real estate agents to help you through the process. You need someone you trust enough to:

- **Set the market value on possibly the largest asset your family owns (your home)**
- **Set the time schedule for the successful liquidation of that asset**
- **Set the fee for the services required to liquidate that asset**

An agent must be concerned first and foremost with you and your family in order to garner that degree of trust. Make sure this is the case.

Be careful if the agent you are interviewing begins the interview by:

- **Bragging about their success**
- **Bragging about their company's success**

An agent's success and the success of their company can be important considerations when deciding on the right real estate professional to represent you in the sale of your house. However, you first need to know that they care about what you need and what you expect from the sale. If the agent is not interested in first establishing your needs, how successful they may seem is much less important.

Look for someone with the **'heart of a teacher'** who comes in prepared to explain the current real estate market to you and patient enough to take the time to show you how it may impact the sale of your home. Not someone only interested in trying to sell you on how great they are.

You have many agents from which to choose. Pick someone who truly cares.

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…

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