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Buy or Sell First?

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Canada's Best Mortgage Team

Buy or Sell First?

If you are considering looking for a new home, and are a current home-owner, then chances are you're wondering what your strategy should be: do you wait to find the perfect new home before you put your current home on the market, or do you sell first and then look around? You have a few options. Use the following as a guide to explore what might be the best move for you.

Sell First:

There are several benefits to selling your current home before searching for your next home. First of all, once you have sold your home, you will know precisely how much money you have to work with. With a concrete price range, you'll be able to narrow the pool of houses before you begin looking, and negotiate accordingly. This will allow you to immediately make firm offers on homes that you are serious about purchasing. You can be first in line with an unconditional offer you know you can afford, and this will increase your negotiating leverage as Sellers tend to take unconditional offers more seriously.

A seller looks at an offer that's conditional on the sale of a home, as an "unsure thing" the buyer is only committed to buy their home IF the buyers home sells in the allotted time. The seller will usually include a time clause in the contract that allows them to keep their home on the market and actively look for a buyer that can commit. If you have already sold your house, you probably do have a wider opportunity to look around, negotiate, and find the best deal and fit for you and your family.

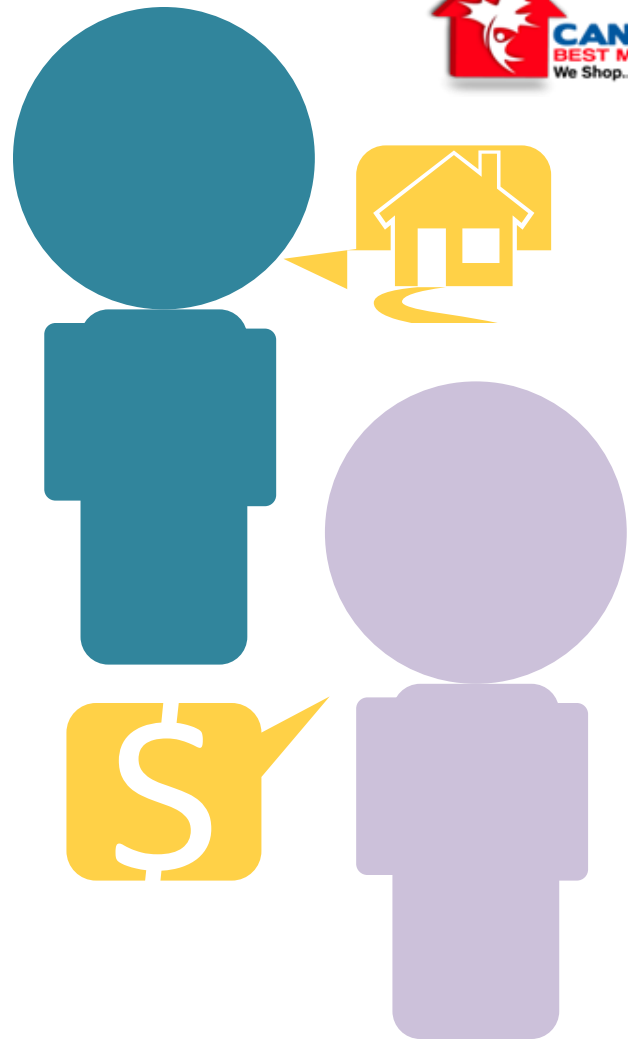
The downside of this scenario, however, is that if you don't find the right property before the closing date of the house you've already sold, you may have to look for temporary housing until you do find what you're looking for.

To minimize this problem, you may want to ask for a long closing period on the sale of your home, that will give you enough time to find your new home.



Buy First:

Buying a new home without having sold your current home may occur if you are interested in a specific property and will only sell your current home if you can have this particular home. It may be a matter of timing—grabbing hold of the home before it's too late. The same might be said of a property you haven't had you eye on previously, but that catches your attention due to its uniqueness or unbelievable price. If buying first means you don't miss out on the real estate opportunity of a lifetime, it may be the best move.



However, be careful. If you buy another property and aren't able to sell your current home quickly enough, you could end up having to finance both homes and shoulder the extra debt until you sell.

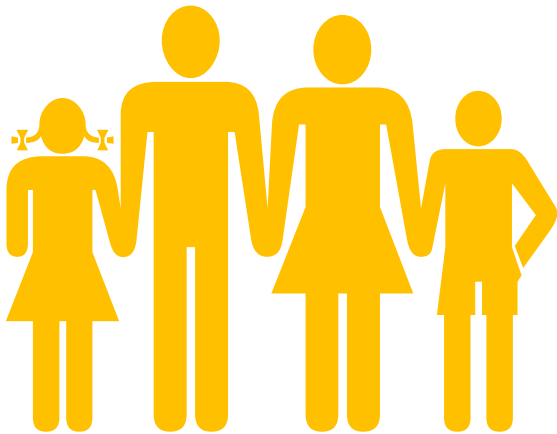
You can get a financial appraisal or market evaluation of a home prior to selling, but this doesn't guarantee the price you'll ultimately receive for the home after the negotiation process has run its course. Since your selling price will be an unknown, jumping into a purchase could be a gamble, particularly if your budget is tight.

Let **CBM** make sure you're familiar with all aspects of the financial reality this scenario would create **before** you purchase another home. Get a financial plan. You will need to qualify to own two homes at once. You may be forced to sell it off at a reduced price in order align the closing dates of your new home. What effect would this have on your financial situation?



Conditional Offer:

An additional option involves making your offer to purchase conditional upon the sale of your current property within a specified period. Conditional offers usually include a clause that allows for the Sellers to keep their property on the market and remain open to other offers while you try to sell your home. If the Sellers receive another attractive offer before you've sold your home, they may accept and ask you to either remove your condition and firm up your offer, or to back down from the offer. A conditional offer forms a kind of middle ground, an area of compromise, for those who are afraid to sell or buy first—but doesn't hold the advantages of the other two options.



One of the drawbacks of the conditional offer is that Sellers tend to take them less seriously. They definitely give stronger consideration to firm offers. This leaves you with less negotiating power. In fact, some Sellers will simply turn down or counter a conditional offer. Other Sellers will believe the Buyer will come back with a more serious offer when their home has sold. So, you may end up having to increase your offer in order to have your conditional offer accepted and keep your foot in the door of your desired house.

Even if your conditional offer is accepted, there is no guarantee another Buyer won't step in and overthrow your offer before you have sold your current home, which would put you back at the starting line. Also, consider the fact that you cannot withdraw your conditional offer until the end of the period specified in the contract—which means that if a better deal comes along, or if the seller educes their price, you are committed to the original contract price and terms.



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