

Buy First or Sell First?

When my clients first consider a move, they frequently ask - do we need to sell our house first or buy something first? There are three different directions to take when buying a home.

1. Buy a house contingent upon the sale of your existing home.
2. Buy a new home with no contingency upon the sale of your existing home, then sell your existing home.
3. Sell your existing home first, then buy a new home contingent upon the closing of your existing home.

Option 1

This is the direction that most people want to do

Pro:

- You can find a home and you only have to put your house up for sale once you have secured the next house.

Con:

- The reality is that rarely will a seller accept this contingency.
- You end up paying top dollar for the new home to entice the seller to go with a contingency.
- You will feel pressured to sell your house quickly to make the contingency work.
- Any house that is a corporate owned (bank foreclosure or relocation home) will not accept a contingent sale situation.

Option 2

This is a direction that a lot of buyers choose. The main idea to keep in mind with this option is that you have to be able to qualify for your existing home mortgage and the new home mortgage.

Pro:

- Maximum flexibility to take your time when buying a new home.
- This is a very strong position from which to negotiate

Con:

- With this option you will be the most leveraged and it can be very stressful to carry two mortgages if your existing house does not sell quickly.
- You don't know at what price you are going to end up selling your house for.

Option 3

This is the way that most buyers buy their new home.

Pro:

- If the sale on your existing home does not work out, then you can withdraw from the contract on the new home, if needed.
- Almost all sellers will accept a contingency upon the closing of an existing sales contract.
- You know what you are going to net from your existing house.

Con:

- You will need to find a house within several weeks - or you will need to look at temporary housing.
- The biggest drawback to this direction is that you generally need to deal with the home inventory that is available in a 3 to 4 week window. Generally I suggest that we should be looking at houses, while your house is for sale. Then we can move quickly on something, when your house sells.

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