The Bob Graham Team Selling Guide

THINGS TO CONSIDER WHEN

SELLING YOUR HOUSE

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5 Reasons To Sell This Winter!

Here are five reasons listing your home for sale this winter makes sense.

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! More often than not, multiple buyers are competing with each other to buy a home.

Take advantage of the buyer activity currently in the market.

2. There Is Less Competition Now

Housing inventory is still under the 6-month supply that is needed for a normal housing market. This means that, in the majority of the country, there are not enough homes for sale to satisfy the number of buyers in the market. This is good news for homeowners who have gained equity as their home values have increased. However, additional inventory could be coming to the market soon.

Historically, the average number of years a homeowner stayed in their home was six, but has hovered between nine and ten years since 2011. 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. As home values continue to appreciate, more and more homeowners will be given the freedom to move.

The choices buyers have will continue to increase. Don’t wait until this other inventory comes to market before you decide to sell.

3. The Process Will Be Quicker

Today's competitive environment has forced buyers to do all they can to stand out from the crowd, including getting pre-approved for their mortgage financing. This makes the entire selling process much faster and much simpler as buyers know exactly what they can afford before home shopping. According to *Ellie Mae's* latest *Origination Insights Report*, the time to close a loan has dropped to 44 days, after seeing a 12-month high of 48 days in January.

4. There Will Never Be a Better Time to Move Up

If your next move will be into a premium or luxury home, now is the time to move up! The inventory of homes for sale at these higher price ranges has forced these markets into a buyer's market. This means that if you are planning on selling a starter or trade-up home, your home will sell quickly AND you'll be able to find a premium home to call your own!

Prices are projected to appreciate by 4.7% over the next year according to *CoreLogic*. 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.

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.

Buyer Demand Continues to Outpace Inventory of Homes For Sale

The price of any item is determined by the supply of that item, as well as the market demand. *The National Association of Realtors (NAR)* surveys *"over 50,000 real estate practitioners about their expectations for home sales, prices and market conditions"* for their *Realtors Confidence Index*.

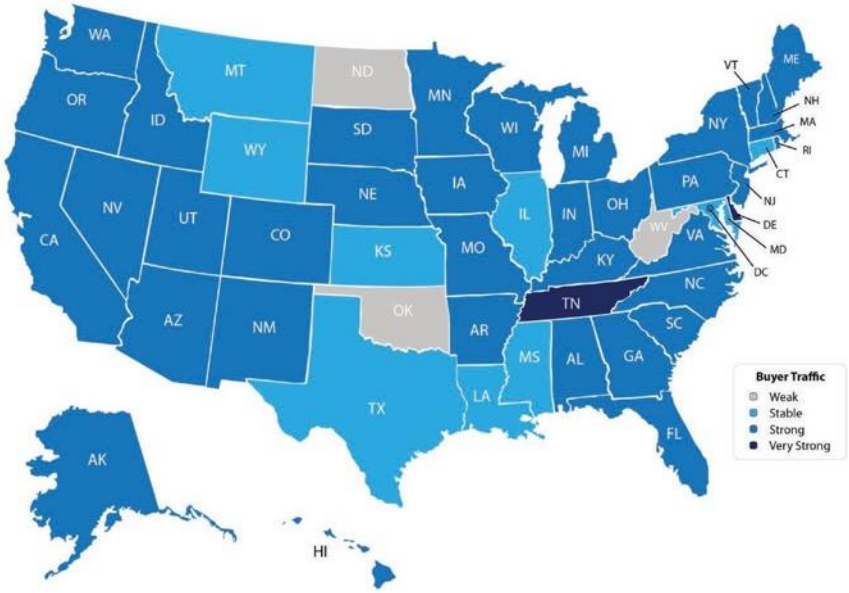
Their latest edition sheds some light on the relationship between Seller Traffic (supply) and Buyer Traffic (demand).

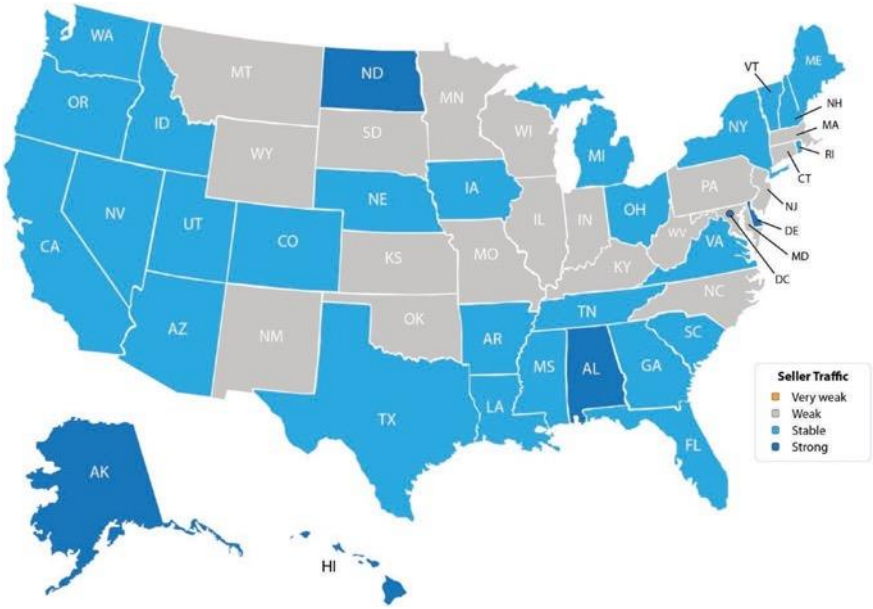
Buyer Demand

The map on the right was created after asking the question:

"How would you rate buyer traffic in your area?"

The darker the blue, the more buyers are looking for homes in that area. Only 3 states came in with a weak demand level.





Seller Supply

The Index also asked:

"How would you rate seller traffic in your area?"

As you can see from the map on the left, a good portion of the country has weak seller traffic, meaning there are far fewer homes on the market than what is needed to satisfy the buyers who are out looking for their dream homes.

Bottom Line

Looking at the maps above, it is not hard to see why prices are appreciating in many areas of the country. Until the supply of homes for sale starts to meet the buyer demand, prices will continue to increase.

Lack Of Listings Slowing Down The Market

In their *Housing Industry Stock Outlook* for October 2017, *NASDAQ* shared some important data about the current shortage of housing inventory available in both existing homes and new construction.

Regarding Existing Home Inventory:

> *"Existing home sales declined to a one-year low in August, per the latest report from the National Association of Realtors or NAHB. Existing-home sales slipped 1.7% last month to a seasonally adjusted annual rate of 5.35 million. This marks the fourth decline in five months, bringing the annual rate to the lowest level in 12 months."*

Regarding New Home Inventory:

> *"Housing starts came in at a seasonally adjusted annual rate of 1.18 million last month. This is 0.8% down from a revised July estimate of 1.19 million. Nevertheless, August construction starts were 1.4% higher year over year. Single-family starts were even stronger, growing 17.1% from a year earlier."*

In other words, total housing inventory declined 10.4% year-over-year to 1.80 million, marking the 27th consecutive month of declines. **That's only a 3.9-month supply, well below the 6 months needed to sustain a normal housing market!**

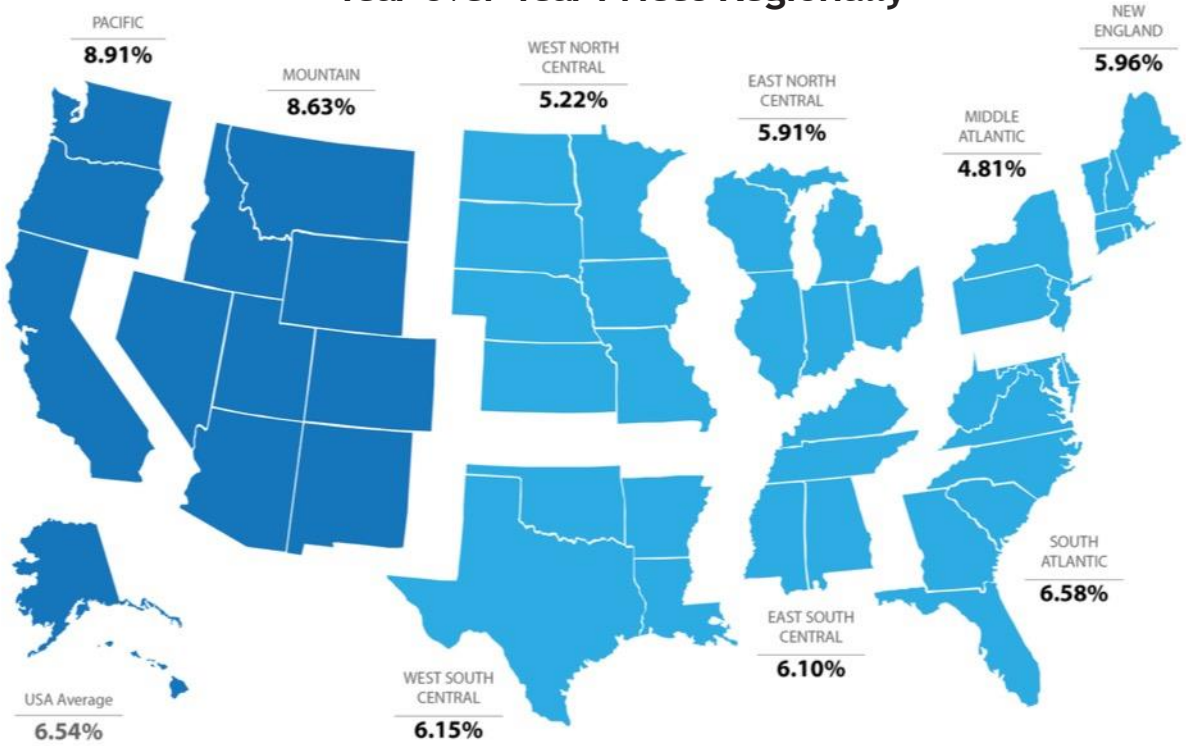
Bottom Line

The biggest challenge in today's market is getting current homeowners and builders to realize the opportunity they have to maximize profit by selling and/or building NOW!

Home Prices Over The Last Year

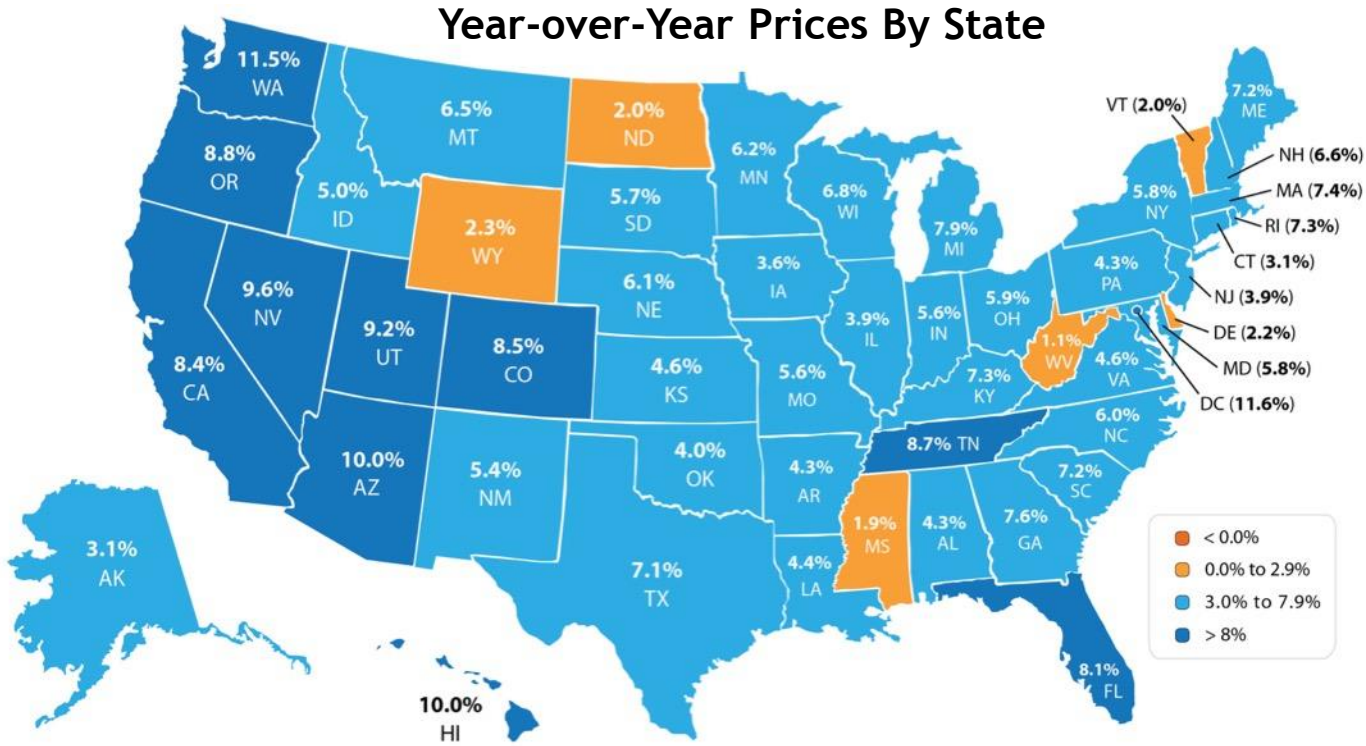
Every quarter, the *Federal Housing Finance Agency* (FHFA) reports on the year-over-year changes in home prices. Below, you will see that prices are up year-over-year in every region.

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



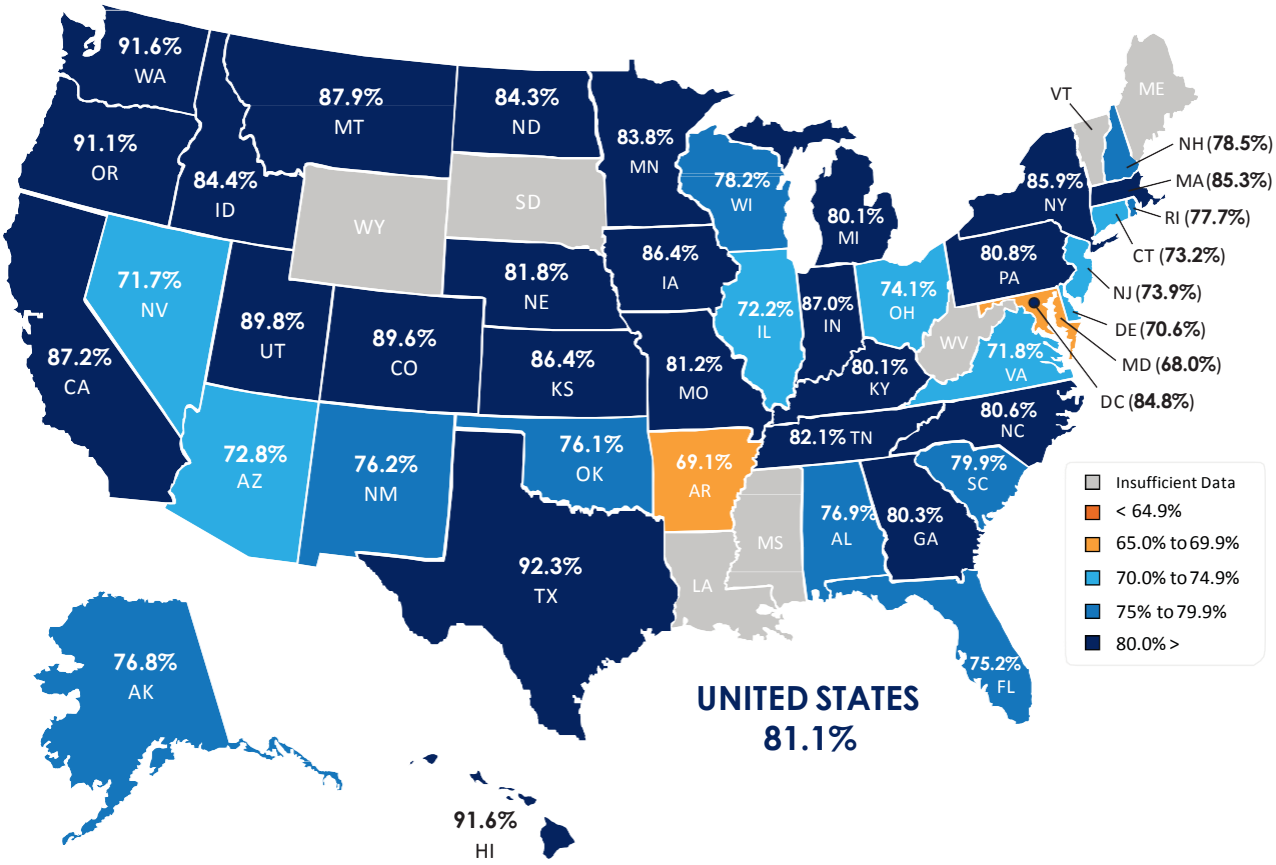
The Truth About Homeowner Equity

A recent article from a reputable news source was titled: Here's why some homeowners still can't sell. In the opening bullets of the article, the author claimed, *"Negative equity is one of the main reasons why there are so few homes for sale."* The article then goes on to soften that stance but we want to bring better clarity to the equity situation.

The latest *Equity Report* from *CoreLogic* (which was quoted in the article) revealed that over 80% of all homes now have "significant equity," which means the home has over 20% equity. That level of equity allows the homeowner to sell their home if they so desire. (There was no reference to significant equity in the article.)

If eight out of ten homeowners now have significant equity in their homes, it is hard to make the claim that lack of equity is *"one of the main reasons why there are so few homes for sale."*

Here is a map showing the percentage of homes in each state which currently have significant equity:



Bottom Line

If you are one of many homeowners who is debating selling your home and are wondering how much equity you have accumulated, let's get together to determine if now is the time to list.

Looking For A Luxury Home? Now's The Time To Act!

If your house no longer fits your needs and you are planning on buying a luxury home, now is a great time to do so! We recently shared data from *Trulia's Market Mismatch Study* which showed that in today's premium home market, buyers are in control.

The inventory of homes for sale in the luxury market far exceeds those searching to purchase these properties in many areas of the country. This means that homes are often staying on the market longer which can eventually lead to a price change.

Those who have a starter or trade-up home to sell will find buyers competing, and often entering bidding wars, to be able to call your house their new home.

The sale of your starter or trade-up house will aid in coming up with a larger down payment for your new luxury home. Even a 5% down payment on a million-dollar home is $50,000.

But not all who are buying luxury properties have a home to sell first.

In a *Washington Post* article, Daryl Judy, an associate broker with Washington Fine Properties, gave some insight into what many millennials are choosing to do:

> *"Some high-earning millennials save money until they are in their early 30s to buy a place and just skip over that starter-home phase. They'll stay in an apartment until they can afford to pay for the place they want."*

Bottom Line

The best time to sell anything is when demand is high and supply is low. If you are currently in a starter or trade-up house that no longer fits your needs and you are looking to step into a luxury home, now's the time to list your house for sale and make your dreams come true.

A Housing Bubble? Industry Experts Say NO!

With residential home prices continuing to appreciate at levels above historic norms, some are questioning if we are heading toward another housing bubble (and subsequent burst) like the one we experienced in 2006-2008.

Recently, five housing experts weighed in on the question.

Rick Sharga, Executive *VP* at *Ten-X*:

> *"We're definitely not in a bubble. We have a handful of markets that are frothy and probably have hit an affordability wall of sorts but…while prices nominally have surpassed the 2006 peak, we're not talking about 2006 dollars."*

Christopher Thornberg, *Partner* at *Beacon Economics*:

> *"There is no direct or indirect sign of any kind of bubble. Steady as she goes. Prices continue to rise. Sales roughly flat….Overall this market is in an almost boring place."*

Bill McBride, *Calculated Risk*:

> *"I wouldn't call house prices a bubble. So prices may be a little overvalued, but there is little speculation and I don't expect house prices to decline nationally like during the bust."*

David M. Blitzer, *Managing Director and Chairman of the Index Committee at S&P*:

> *"Housing is not repeating the bubble period of 2000-2006…price increases vary unlike the earlier period when rising prices were almost universal; the number of homes sold annually is 20% less today than in the earlier period and the months' supply is declining, not surging."*

Bing Bai & Edward Golding, *Urban Institute*:

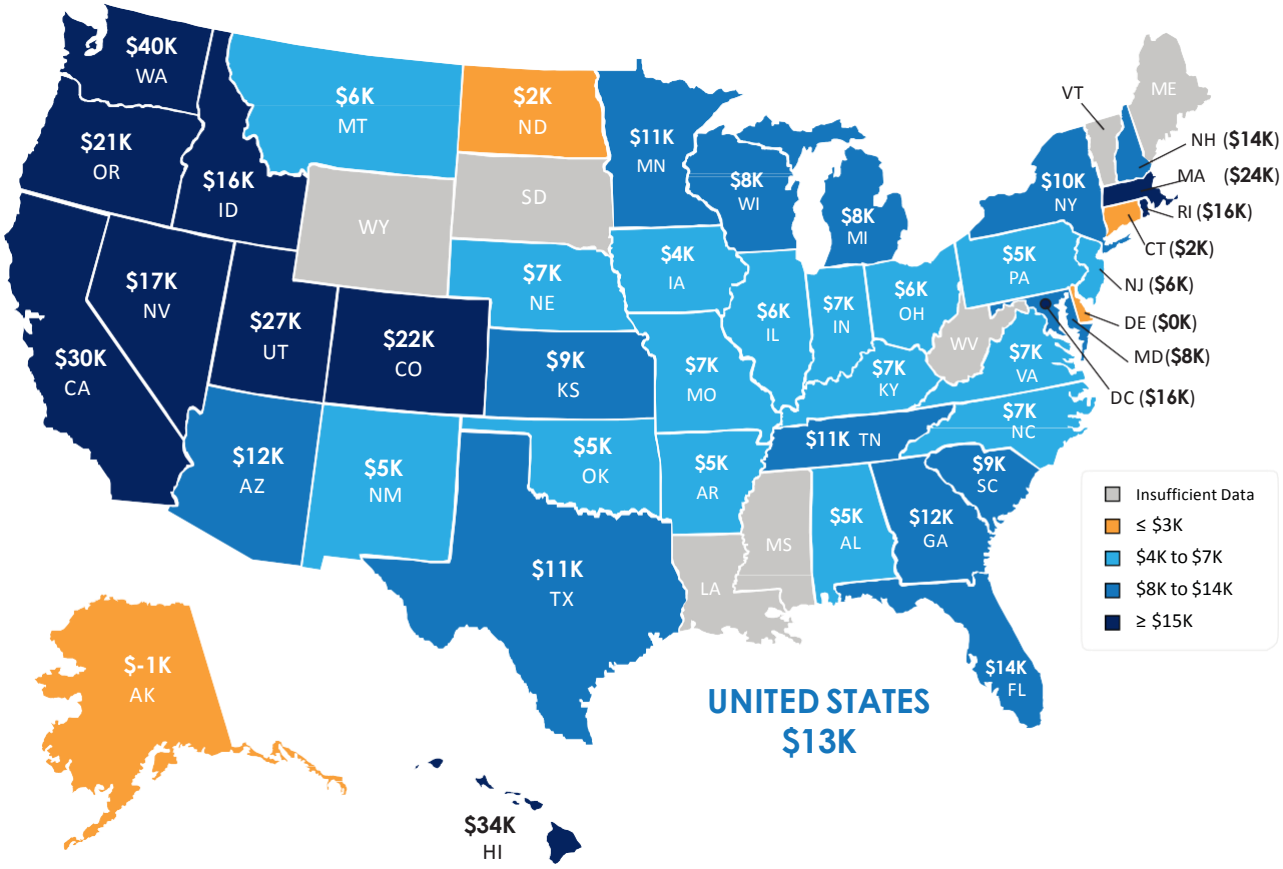
> *"We are not in a bubble and nowhere near the situation preceding the 2008 housing crisis. Despite recent increases, house prices remain affordable by historical standards, suggesting that home prices are tracking a broader economic expansion."*

The 'Great News' About Rising Prices

Recently there has been a lot of talk about home prices and if they are accelerating too quickly. In some areas of the country, seller supply (homes for sale) cannot keep up with the number of buyers out looking for a home, which has caused prices to rise.

The great news about rising prices, however, is that according to *CoreLogic's* latest *Equity Report*, the average American household gained over $13,000 in equity over the course of the last year, largely due to home value increases.

The map below was created from *CoreLogic's* report and shows the average equity gain per mortgaged home over the past year.



For those who are worried that we are doomed to repeat 2006 all over again, it is important to note that homeowners are investing their new found equity in their homes and themselves, not in depreciating assets.

The added equity is helping families put their children through college and even invest in starting small businesses, allowing them to pay off their mortgages sooner or move up to the homes that will better suit their needs now.

Bottom Line

CoreLogic predicts that home prices will appreciate by another 4.7% by this time next year. If you are a homeowner looking to take advantage of your home equity by moving up to your dream home, let's discuss your options!

Don’t Wait! Move Up To The Home You've Always Wanted

According to *Freddie Mac’s Primary Mortgage Market Survey*, interest rates for a 30-year fixed rate mortgage have hovered around 4% all year and are still near record lows.

The interest rate you secure when buying a home not only greatly impacts your monthly housing costs, but also impacts your purchasing power.

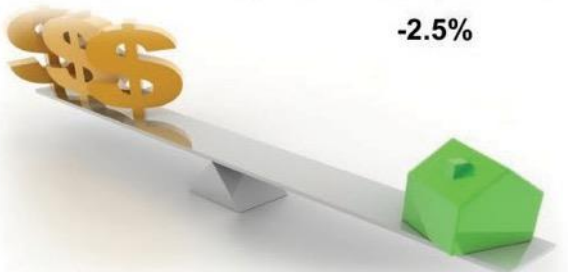
Purchasing power, simply put, is the amount of home you can afford to buy for the budget you have available to spend. As rates increase, the price of the house you can afford will decrease if you plan to stay within a certain monthly housing budget.

The chart to the right shows the impact rising interest rates would have if you planned to purchase a home within the national median price range, and planned to keep your principal and interest payments between $1,850-$1,900 a month.

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.

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.

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

Where Are Interest Rates Headed?

If you are considering moving up to your dream home, it may be better to do it sooner rather than later. The two components of your monthly mortgage payment (home prices & interest rates) are both projected to increase as the year moves forward, and interest rates may increase rather dramatically. Here are some predictions as to where rates will be later this year.

Michael Fratantoni, *Chief Economist* at the *Mortgage Bankers Association*:

> *"The MBA believes that mortgage rates will rise to 4.6% next year, then above 5% in 2019 and 2020."*

Realtor.com:

> *"Mortgage rates will average 4.6% throughout the year, and reach 5% by the end of 2018."*

Paul Ashworth, *Chief Economist* of *Capital Economics*:

> *"Overall, Fed officials re-affirmed…that they anticipate raising interest rates three times in 2018… but…still anticipate that a slightly faster than expected rebound in core inflation will mean we eventually see four rate hikes in 2018."*

Bottom Line

If you are feeling good about your family's economic future and are considering making a move to the home of your dreams, doing it sooner rather than later makes the most sense.

The Role Access Plays In Getting Your House Sold!

So you've decided to sell your house. You've hired a real estate professional to help you with the entire process and they have asked you what level of access you want to provide to potential buyers.

There are four elements to a quality listing. At the top of the list is Access, followed by Condition, Financing and Price. There are many levels of access that you could provide to your agent to be able to show your home.

Here are five levels of access that you could provide to a buyer with a brief description:

- **Lockbox on the Door** – This allows buyers the ability to see the home as soon as they are aware of the listing, or at their convenience.
- **Providing a Key to the Home** – Although the buyer's agent may need to stop by an office to pick up the key, there is little delay in being able to show the home.
- **Open Access with a Phone Call** – The seller allows showing with just a phone call's notice.
- **By Appointment Only (example: 48 Hour Notice)** – Many out-of-town/state buyers and relocation buyers visit an area they would like to move to and only have the weekend to view homes. They may not be able to plan that far in advance, or may be unable to wait the 48 hours to be shown the house.
- **Limited Access (example: the home is only available on Mondays or Tuesdays at 2 pm or for only a couple of hours a day)** – This is the most difficult way to be able to show your house to potential buyers.

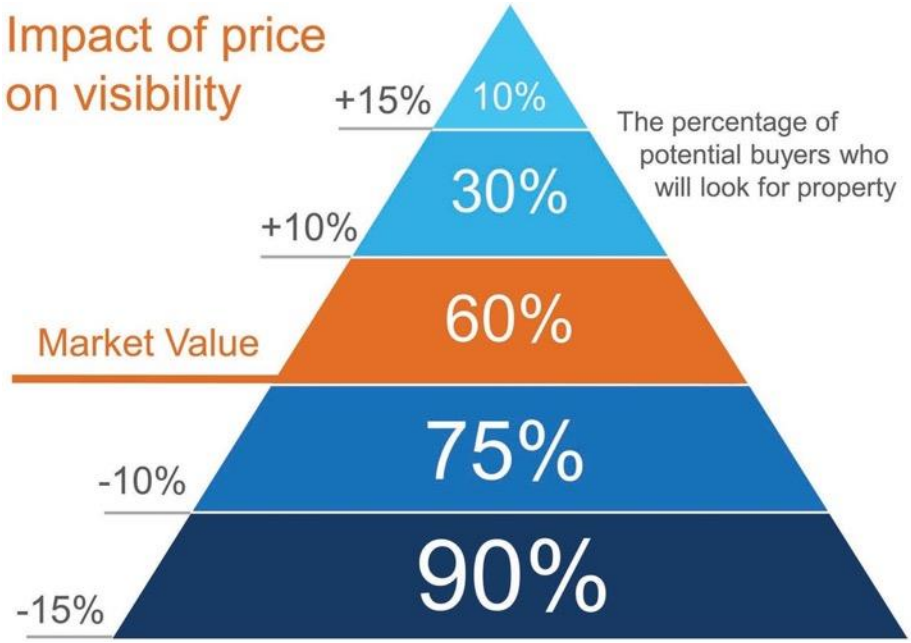
In a competitive marketplace, access can make or break your ability to get the price you are looking for, or even sell your house at all.

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 ensure that 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 doing this, 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 make 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.

A new study by *Collateral Analytics* reveals that FSBOs don't actually save any money, and in some cases may be costing themselves more, by not listing with an agent.

In the study, they analyzed home sales in a variety of markets in 2016 and the first half of 2017. The data showed that:

> *"FSBOs tend to sell for lower prices than comparable home sales, and in many cases below the average differential represented by the prevailing commission rate."*

The results of the study showed that the differential in selling prices for FSBOs when compared to MLS sales of similar properties is about 5.5%. Sales in 2017 suggest the average price was near 6% lower for FSBO sales of similar properties.

Bottom Line

Price your house at or slightly below the current market value and hire a professional. That will guarantee you maximize the price you get for your house.

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. According to the *National Association of Realtors'* latest *Profile of Home Buyers & Sellers*, the percentage of buyers who used the internet in their home search increased to 95%.

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 home they will buy (52%), to negotiate the terms of the sale (47%) and price (38%), or to help 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.

Homeowners: Your Home Must Be Sold Twice

In today's housing market, where supply is very low and demand is very high, home values are increasing rapidly. Many experts are projecting that home values could appreciate by another 5%+ over the next twelve months. One major challenge in such a market is the bank appraisal.

If prices are surging, it is difficult for appraisers to find adequate, comparable sales (similar houses in the neighborhood that recently closed) to defend the selling price when performing the appraisal for the bank.

Every month in their *Home Price Perception Index (HPPI)*, *Quicken Loans* measures the disparity between what a homeowner who is seeking to refinance their home believes their house is worth, and an appraiser's evaluation of that same home.

Bill Banfield, *Executive VP of Capital Markets* at *Quicken Loans*, urges anyone looking to buy or sell in today's market to remember the impact of this challenge:

> *"While a 1 or 2 percent difference in home value opinions may not seem like a lot,* ***it could be enough to derail a mortgage****.*
>
> *A homeowner [or a buyer] could be forced to bring more cash to closing in order to make a mortgage work if the appraisal is lower than expected. On the other hand, if an appraisal comes in higher, they could be surprised with more equity than they had planned. Either way, if owners are aware of their local markets it will lead to smoother mortgage transactions."*

The chart below illustrates the changes in home price estimates over the last 12 months.

Appraiser Home Value Opinions Compared to Homeowner Estimates

Bottom Line

Every house on the market has to be sold twice; once to a prospective buyer and then to the bank (through the bank's appraisal). With escalating prices, the second sale might be even more difficult than the first. If you are planning on entering the housing market this year, let's get together to discuss this and any other obstacle that may arise.

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 is 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.

5 Reasons You Shouldn't For Sale By Owner

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. Exposure to Prospective Purchasers

Recent studies have shown that 95% of buyers search online for a home. That is in comparison to only 17% looking at print newspaper ads. Most real estate agents have an internet strategy to promote the sale of your home. Do you?

2. Results Come from the Internet

Where did buyers find the home they actually purchased?

- 49% on the internet
- 31% from a Real Estate Agent
- 7% 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.

3. 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

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.

A new study by *Collateral Analytics* revealed that FSBOs don't actually save anything, and in some cases, may be costing themselves more, by not listing with an agent. One of the main reasons for the price difference at the time of sale is:

> *"Properties listed with a broker that is a member of the local MLS will be listed online with all other participating broker websites, marketing the home to a much larger buyer population. And those MLS properties generally offer compensation to agents who represent buyers, incentivizing them to show and sell the property and again potentially enlarging the buyer pool."*

If more buyers see a home, the greater the chances are that there could be a bidding war for the property. The study showed that the difference in price between comparable homes of size and location is currently at an average of 6% this year.

Why would you choose to list on your own and manage the entire transaction when you can hire an agent and not have to pay anything more?

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.

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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