

What Comes First, Buying or Selling?

Buying your first home is exciting and can be stressful. Buying your 2nd home tends to bring with it more stress because you now enter the world of selling and buying. One of the questions we get asked most often is "What should I do first, Buy or Sell?" That's a very good question that depends on many factors.

Firstly, it depends on your financial situation. Even Seller's who are comfortable financially, can struggle with this decision as it involves the possible burden of carrying the cost and upkeep of two homes. Remember, a good income doesn't necessarily qualify you for having two mortgages. It may however qualify you for Bridge Financing. Bridge Financing is commonly used when the cash flow from a sale is expected after the cash outlay for the purchase. Bridge Financing covers a period of time (gap) in cash flows.

Market conditions also play a role in whether to sell first or buy first. Many sellers will make the decision to buy first during a busy and rising market where houses are selling in a reasonable time. When we work with sellers who are contemplating buying first, we do our market research to check sales and time on the market in the sale area. Average market time fluctuates depending on the time of year and market conditions. If prices are dipping buyers could end up trying to finance two homes that are losing value. This is not a position anyone wants to be in.

Lastly, take your current life situation into consideration. Moving homes is one of the most stressful things next to job change and divorce. It would be a stressful situation if you bought a house then had to sell another prior to closing. Selling first, then buying gives you the peace of mind knowing that when you find a home, you will be able to move on without the burden of having to sell the first home. It becomes trickier if you are very specific about where you want to live. For example if you want to be on a certain street, then when the property comes up, you may have to jump at it and sell after.

Purchasing a property conditional on the sale of another, is one solution that often pays off for buyers. However, in the busy spring season, sellers will take the offer with the fewest restrictions. This means that if you have a conditional offer on a home, you may find yourself bumped out of the running by someone who does not have a house to sell.

Remember we do this for a living, every day we help people buy and sell. If you are struggling with what you should do first, call us and we'd be happy to sit down and talk about a strategy that works best for you.