



**A HOME BUYER'S GUIDE TO
DEBUNKING
COMMON HOME OWNERSHIP
MYTHS**



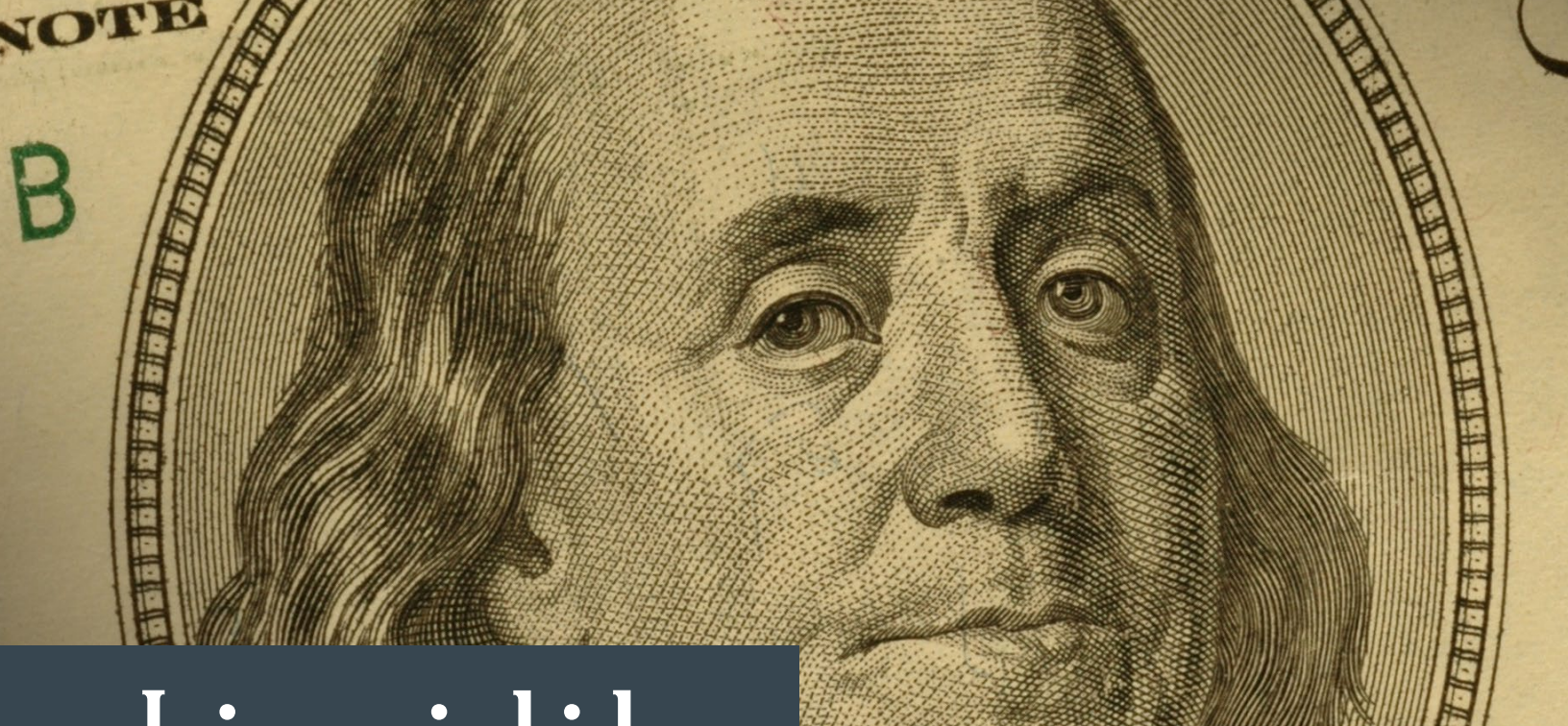
A Home Buyer's Guide to Debunking Common Myths About Home Ownership

Few purchases occur after as much preamble as the act of buying a home. Of course, this is with good reason: for most people, purchasing a home is not just a financial transaction. It is an investment of time both present and future - a choice that will be central to the memories and experiences collected by a family for years to come.

Leveraging Liquidity

Perhaps the most fundamental concept to understand about the home-buying process is the reason for the “make or break” nature of the real estate market. Though various factors come into play, they can largely be boiled down to one concept: liquidity.





Liquidity

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Though exceptions to this rule arise, particularly as the market fluctuates, real estate is widely considered to be a low-liquidity investment. In short: when the average person purchases a home, they have made a long-term investment. This does not mean, of course, that a home will automatically depreciate in value once it is purchased. It does mean, however, that re-selling that same home quickly and for a profit will be difficult, to use a generous term.

As a low-liquidity investment, a real estate purchase is often a major development for the average individual. This makes it essential that homebuyers be as informed and as diligent as possible throughout the home-buying process; failure to do so could have long-standing ramifications.



Navigating a Modern Market

The last decade has brought along with it a perceptible transformation within the real estate market. More and more, technology has taken on a major role in real estate transactions - particularly with regard to the home-buying process. As is the case across the board with technological developments, this presents a host of pros and cons to home buyers.



The Good



- More information than ever is available to prospective home buyers.
- Individuals have become more empowered than ever in conducting research, garnering information, and making informed decisions.
- Specialized websites, such as Zillow and Realtor.com, allow prospective buyers to compare various properties with minimal effort.

The Bad (and the ugly)



- The same websites that allow prospective home buyers to compare between properties often present outdated or inaccurate information, including listings that are no longer on the market or incorrectly priced.
- Technology often displays an “illusion of information,” incentivizing buyers to make seemingly informed decisions without the expert assistance of a seasoned professional familiar with the laws and regulations associated with buying a home.



Whose Market Is It, Anyway?

“It’s a Buyer’s Market! No time like the present to invest in your first home, Karen.” “You sure you wanna list that property, Jack? It’s not much of a Seller’s Market.”

“You can always wait to buy that condo until the market goes up, Sam, but who’s to say when that’ll be?”



Time and again, a seemingly elusive Market has been alluded to in conversations about purchasing a home. Though seasoned homebuyers likely have a more sophisticated understanding about the ever-fluctuating Market, misconceptions still abound. Before addressing the most common myths surrounding the temperamental Market, it's important to clarify the difference between two terms that every prospective home buyer will surely hear time and again: buyer's market and seller's market. In its simplest iteration, the distinction lies in supply and demand:

A **Buyer's Market** occurs when there are more houses on the market than buyers. This is usually the optimal time for a prospective buyer to strike, so to speak. Generally speaking, buyer's markets mean that homes comparable amenities are priced lower, on average, than in a seller's market.

A **Seller's Market**, on the other hand, tends not to favor the buyer. This occurs when the supply of homes on the market is lower than the demand. This increase in the demand for homes tends to increase average pricing and make the homebuying process more competitive. Though a great time for sellers, this is typically a less-than-ideal trend for homebuyers - particularly first-time ones.

The type of market a prospective buyer faces ranges depending on an array of factors, including **location, the time of the year, the state of the stock market, and the overall job market in a given area**. It is highly advisable to consult with a local real estate professional to determine the optimal time to purchase a home.



Truth or Myth?

In addition to knowing basic distinctions and qualities of the real estate market, the well-informed home buyer must not fall victim to commonly accepted fallacies about real estate. Away from the umbrella of expertise of a real estate broker's office, certain misguided ideas have persisted about the process of buying a home. Though these myths may not necessarily prevent an individual from being able to purchase a home, they diminish the likelihood of finding an optimal deal. Unfortunately, every step of the home buying process is rife with its own set of misconceptions. By nipping this misinformation in the bud, prospective buyers will empower themselves to have informed conversations with their agents and brokers during every step of their home-buying process.

The Market

Myth:

The market will continue going up.

Fact:

When times are good, buyers and sellers alike want circumstances to continue indefinitely. What's more, a positive trend implies that the favorability will continue - after all, if the market has consistently gone up since last year, the projection is that next year will be even better, right?

Unfortunately, as was demonstrated in 2008, 2001, 1990, 1980, and at numerous intervals prior, economic prosperity is by no means a guarantee. Though it is impossible to predict exactly when and how the market will fluctuate downward, it is wise to take advantage - if possible - of the times when it is thriving. What does this mean for buyers?

For one, favorable conditions surrounding your mortgage. When banks are doing well, buyers have more options for loans and interest rates than in less prosperous times. This, combined with external factors like higher employment rates and overall job security, grants buyers more security in their real estate investment. Overall: it is wise for buyers not to bank on an upward trend in the market as a justification to buy a home in the future. If finances allow and the market is primed for it, don't procrastinate on the search for your next home.

The Market

Myth:

Open houses are a waste of time.

Truth:

Yes, open houses are time-consuming, and it may feel like a chore to spend precious free time touring a stranger's house in the off chance that it may be the home of your dreams. However, "time-consuming" is by no means equivalent to "waste of time." The reality is that open houses are a notoriously under-used resource. With the increased reliance on virtual home tours and photographs posted on websites, prospective buyers are more likely to write off properties that may have wowed them in person. Open houses allow a buyer to view a property first-hand with minimal commitment, letting them fall in love with a home first, then make commitments later.

The Properties

Myth:

Fully renovated homes are a waste of money.

Fact:

It may be tempting to invest in a home that is in need of “some work,” pledging to renovate down the line rather than making a higher investment in an updated property up front. Guilty-pleasure shows like Fixer Upper and Property Brothers have served to further propagate the myth that homes requiring TLC are more worthwhile investments than renovated ones.

What (too) many homebuyers don't know is that sellers are often advised by professionals not to make renovations for profit. Instead, homeowners are encouraged to renovate their homes if the modifications will improve their own quality of life, or if renovations are a passion project for them regardless of the chance of making a profit. This is because, though renovations do positively affect a home's valuation, they do not do so enough to give the seller a return on their investment. What this means: As a buyer, you're better off spending slightly more up front on a renovated home than having to make major renovations yourself down the line (without much chance of a significantly higher valuation should you wish to re-sell).

The Properties

Myth:

Location, location, location is everything

Fact:

Yes, location is important. This is why certain neighborhoods carry with them exorbitant price tags for otherwise unremarkable homes. It is highly advisable that prospective buyers sit down and take the time to determine the extent to which the location will be instrumental to their quality of life in a home, and the amenities or square footage they would be willing to sacrifice in order to secure a home within their budget in a particular neighborhood or region. Of course, certain characteristics of a given location carry more weight than others: for instance, a home buyer with multiple children may prioritize a great school district more than a bachelor might prioritize proximity to nightlife. By framing location as one of many priorities to consider in the home searching process, buyers minimize the likelihood of feeling dissatisfied or frustrated. After all, the home-buying process is a negotiation: if a buyer's ultimate goal is to live in a given area, they may have to be prepared to look at smaller or less updated homes than would otherwise be in their price range.

The Process

Myth:

You need a hefty 20% down payment in order to purchase a home at a reasonable rate.

Fact:

Many hopeful home-buyers will unnecessarily delay their efforts to buy a home due to misconceptions about the amount of money that is required up front. The truth is that there exists no shortage of programs geared precisely towards assisting families in purchasing homes without such a heavy downpayment. These programs include:

- *Local and state-wide assistance programs for low- and middle-income buyers, as well as first-time buyers - these can be found on local (city and county) government websites.*
- *FHA loans*
- *Veterans' Association (VA) Loans*
- *USDA Farmers' Loans*
- *3% Down Fannie Mae Program*

The Process

Myth:

If you have a good agent, the process will be quick.

Fact:

Though everyone wishes to find a beautiful home within their price range expediently, the reality is that a good broker and/or agent will prioritize diligence over timeliness. Your home is likely a decades-long investment that will define a host of experiences for your family for years to come. An agency worth its salt will keep this in mind, placing compatibility at the forefront of its priorities when searching for your home.

The Agents

Myth:

The real estate broker/agent's duty is exclusively to the buyer - at all times.

Fact:

Different states have different laws about the extent to which a client's interests must be represented by their broker and agent. Florida, for instance, assumes a "transaction" relationship between brokers/agents and clients unless otherwise specified in writing. A transaction brokerage requires that brokers and agents provide the following services to their clients:

- 1. Account for all funds entrusted to them*
- 2. Disclose all known facts, not easily visible to the buyer, that materially affect the value of a property*
- 3. Deal honestly and fairly*
- 4. Use skill, care, and diligence in all transactions with a buyer*
- 5. Present all offers (and counteroffers) diligently and in the interest of time*
- 6. Use limited confidentiality (unless otherwise waived in writing)*
- 7. Perform any other mutually agreed-upon duties*

If you wish to establish an exclusive (known as "single agency") or nonrepresentational relationship with your broker, you must request that a contract be drafted to specifically establish this.

The Agents

Myth:

With all of the resources available to home buyers, it is not necessary to work with a real estate broker or agent.

Fact:

WebMD does not make the average person capable of diagnosing complex afflictions. Reading the Constitution does not make someone capable of arguing case law before the Supreme Court. Access to real estate-themed resources does not make someone capable of the optimal research, negotiations, and market knowledge required to carry out a real estate transaction in the most successful way possible.



With all the romance of family gatherings and the passage of time aside, the process itself of buying a home requires a great deal of practicality. After all, for first-time and seasoned buyers alike, real estate is a crucial investment with the potential to make or break an entire family's quality of life. There is no shortage of references to the monumental nature of a homebuying process, but these are ambiguous at best (and misleading at worst). The real estate market is complex (increasingly so, it seems), and even the most experienced home buyers are hard-pressed to keep up with its fluctuation and regulation. These are the reason that commonly accepted myths can too often drive the narrative of a home-buying process. By debunking these myths and empowering themselves to have informed conversations with their brokers and agents, prospective homebuyers will have primed themselves for a successful venture into the real estate market.



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