

Home Buying Tips You Haven't Heard

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If you are looking for a new house, you have probably heard a lot of home buying tips, but probably not these ones...

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The following are not your usual home buying tips. For example, almost everyone will tell you that you should buy a home, but the first tip below suggests an alternative.

Consider Renting

This is all about time and place and your own situation. Are you going to be in one place for long? If you are likely to move within a few years, you may be better off renting. Transaction costs of buying and selling will likely eat up any equity gains you get. It may seem profitable to buy at \$200,000 and sell at \$220,000 two years later, but commissions, closing costs and loan costs can easily add up to \$20,000, so where is the gain? Also, there is no guarantee that prices will rise, and if they don't you suffer a real loss.

{bot_wrgoogle}Also, it is a matter of the ratio between rental rates and the costs of buying, and what is likely to happen in the market. For example, suppose you are in a slow-growing stable area, and your total monthly cost to buy a home is going to be around \$1,200. If rent is anywhere near that for the same size home, you should probably be buying a house.

On the other hand, let's look at the example of Tucson, Arizona in late 2005. You could buy a small home for about \$190,000, with mortgage, taxes and insurance running about \$1,325 per month. But you could rent the same home for just \$675 per month. Now add to this the fact that home prices had been rising at 20% or more per year for years, and 12% of all recent sales were to speculators, not owner-occupants (a sure sign of a market top).

In this case, it would have made more sense to rent. Had you bought there two years ago, you would have paid \$650 per month extra to be a home owner, or \$15,600 over these last two years. In addition, the house would probably be worth a little less now than when you bought it. Better to have banked that \$15,600 and bought the home today.

Other Home Buying Tips

Compare ALL costs when you look at various homes. It is easy to consider just the price of a home, or what that means in terms of a mortgage payment. However, there are other costs. If the home is in a flood zone, for example, insurance could be \$200 per month higher than for other homes. Look at taxes, insurance, utility costs (big homes cost more to heat) and any other regular costs, so you can honestly compare houses according to what they will cost you monthly.

Go to online forums to learn about a new town. Many people like to talk about where they live. They get to do this in various online forums, which you can search for by entering the name of the town and "forum" into any search engine. Be aware that these are often places where locals complain about their town, but you can also find interesting and useful information, and ask questions.

If your real estate agent doesn't represent you, don't be loyal. If she is really a seller's agent, she is obligated to pass on comment you make to the seller, like "I think we can go higher if they reject our first offer." Even if she represents you, be sure she does it well. If you are shown three houses that have nothing to do with the criteria you laid out, show the agent the door. By all means stick with a good agent who really helps you, but otherwise you can also call the listing agent for each house you want to see.

Inspect the home yourself. You probably plan to have a home inspection done by a professional before you buy. But you should also visit the home a second time yourself, and do your own inspection. Bring a checklist and look over everything, even if this takes an hour or more. In this way you can tell the professional inspector what your concerns are, and be ready with questions for him.

There is another reason to do this inspection. It has to do with a concept called "time investment." Sellers are more likely to accept an offer if they have invested more time and hope into a buyer. Negotiation secrets like this are a whole other area of home buying tips - one that you may want to learn about.

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