

BLOOMING SKY

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Snooze and Lose?

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Many a fisherman has a story about the big one that got away. But years from now many a would-be homeowner could have a tale about the dream home that got away because they didn't reel in the big catch in time, say the experts.

A recent report published by Realtor.com indicates that the financial consequences of postponing or passing on a home purchase in the current market could prove to be quite costly. The report suggests that, on average nationally, the penalty of waiting to buy for one year is almost \$19,000 and nearly \$54,000 for a three-year delay. The estimated wealth that a person would garner over 30 years of homeownership, meanwhile, is over \$217,000.

Jonathan Smoke, chief economist for the San Jose, California-based website, says the steep penalty in waiting just one year to buy shows how small timing decisions can have large financial repercussions.

"Current market conditions give buyers the opportunity to build substantial wealth in the long-term, compared with renters and later buyers," Smoke says. "Affordability is essentially at its peak now as both interest rates and prices will be increasing over the medium and long-term horizon. This relatively strong level of current affordability will last at least another year before both price appreciation and rate increases begin to take their toll. Since both prices and mortgage rates are on the rise, and purchasing enables a buyer to avoid high and escalating rents, the smarter strategy is to buy as soon as possible."

Bernard Klein, an agent with Rutenberg New York and founder of the Blooming Sky Team, says attributes for the ideal candidate for jumping into the market sooner rather than later has little to no outstanding debt, steady income, liquid reserves and a credit score above 700.

"Keep in mind that financing may get much more difficult in a higher interest-rate environment," Klein says. "Lenders may become more selective, and someone's ability to save over the year in which they (delay a purchase) may not be enough to match both increased interest rates and housing prices. So the danger of not acting now isn't just a more expensive mortgage payment—it could mean not being able to buy anything at all."

Conversely, it could be smarter to hold off if your expected amount of time to remain in the home doesn't cover the transaction costs of buying and selling, Smoke adds.

Brian Koss, executive vice president of the Mortgage Network in Danvers, Mass., agrees.

"The best reason to delay a purchase is if you are personally not ready, not in good financial shape to buy, or emotionally chasing a home that's exploding with multiple bids over asking price," Koss says.

Additionally, if job relocation is probable based on your employer or profession, putting a home purchase on hold is advisable.

"Having to recoup your investment in a short-term period is much harder than when you have the luxury of time," says Raymond Brousseau, executive vice president of Carrington Mortgage Services in Anaheim, Calif.

Ultimately, the decision to buy or rent a home – and when – is a deeply personal one that depends on individual circumstances.

“Aside from financial considerations, one must consider other factors such as upcoming life events, job security, and family. These can all have significant impacts on ownership,” Smoke says. “It would follow that potential buyers who are confident in long-term stability of their families, jobs, and hometowns, would be wise to buy now, while those who anticipate a move or a larger family in the future might be wise to wait.”

Koss recommends doing your homework on particular neighborhoods of interest and the unique markets in those communities so that you know the values and where you can afford to buy.

“Decide on a timeframe, and don’t get caught up in the madness and be forced to do something you’re not comfortable doing,” he says.