

# 2013 BUYERS GUIDE

Am I ready to buy? How much can I afford? Where do I find homes? Why buy now? How's the market? Is there a right time to buy? What is this home worth in today's market? How do we obtain a loan? How much should we put toward my down payment? Who will negotiate on our behalf? Are we in a sellers' market? Are we in a buyers' market? What's the best location? How many bedrooms? What style home do I want? Should we buy a fixer-upper? How long has this home been on the market? When will I know I've found the best home? Do I want my home in mint condition? What type of neighborhood should I live in? Where are the schools? How do I know I'm getting a good deal? What first-time home buyer programs are available? **Am I ready to buy?** How much can I afford? Where do I find homes? How's the market? Is there a right time to buy? What is this home worth in today's market? How do we obtain a loan? How much should we put toward my down payment? Who will negotiate on our behalf? Are we in a sellers' market? Are we in a buyers' market? What's the best location? How many bedrooms? **Where can I get help finding the right home?** What style home do I want? Should we buy a fixer-upper? How long has this home been on the market? When will I know I've found the best home? What type of neighborhood should I live in? Where are the schools? How do I know I'm getting a good deal? What first-time home buyer programs are available? Am I ready to buy? Do I want my home to be in mint condition? How much can I afford? Where do I find homes? Why buy now? **How's the market?** Is there a right time to buy? What is this home worth in today's market? How do we obtain a loan? How much should we put toward my down payment? Who will negotiate on our behalf? Are we in a sellers' market? Are we in a buyers' market? What's the best location? How many bedrooms? What style home do I want? Should we buy a fixer-upper? How long has this home been on the market? Do I want my home in mint condition? When will I know I've found the best home? What type of neighborhood should I live in? Where are the schools? How do I know I'm getting a good deal? How's the market?



# There's really no place like home.

From childhood to parenthood to retirement, your home is a statement not only of personal freedom but also of financial strength. In fact, for many, buying a home will be among the most significant investments you'll make in your lifetime.

At Keller Williams Realty, we also love real estate—the land, the homes, and all those involved in the purchase, ownership, and sale of it. Professionally, we are dedicated to discovering and sharing the best real estate wisdom with everyone, because knowing and understanding the numbers that drive real estate will inform your decisions along each step of your home-buying journey.

Of course your real estate market is driven by local factors, and we'll look at those numbers to determine exactly which homes meet your particular wants, needs, and price range.

The insights in this guide come from studies conducted by our KW Research\* team and are geared to help you successfully navigate the home-buying process.

We are excited to pass along this informative home-buying guide to you and encourage you to read through it, highlight it, and take notes!

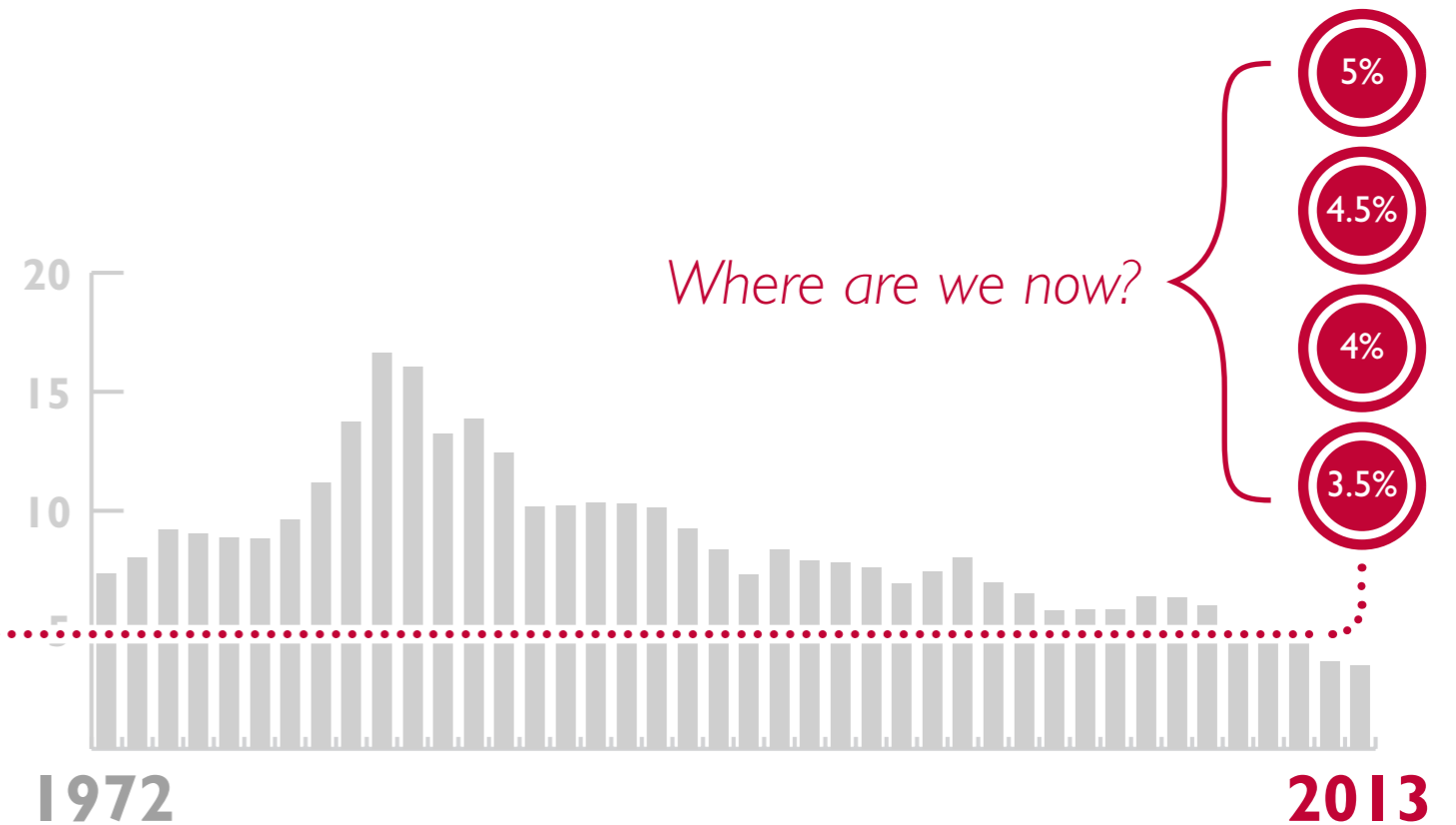
\*KW Research is a division of Keller Williams Realty, Inc.



# Opportunity Abounds

## Why buy now?

Mortgage rates have been at an **all-time low** year after year. As recovery in the economy gains a stronger and stronger footing, rates won't stay there forever.



The amount of home you can afford depends on a few things:




- 1 Your income
- 2 Your debt levels
- 3 Price of the home
- 4 Interest rates

The only one of these that is completely outside the bounds of your control is interest rates. You could choose to have a smaller home in a slightly lesser location if you needed to, right? You could pay down some debt. You could work a side job. But you can't change interest rates.




In terms of its effect on your monthly payment, **every 1% change in interest rate is equal to a 10% change in home price.**

# Affordability in Perspective

Even though this doesn't take inflation into consideration, the principal and interest payment on a mortgage back in 1989 was close to where it is today. When you add inflation in, the difference is tremendous!

	1989	2013
 home price	\$94,000	<b>\$189,700</b>
 mortgage rate	10%	<b>4.5%</b>
 monthly P&I*	\$825	<b>\$961</b>

This graph assumes a 0% down payment.  
\*Principal and interest payment as of Austin 2013.

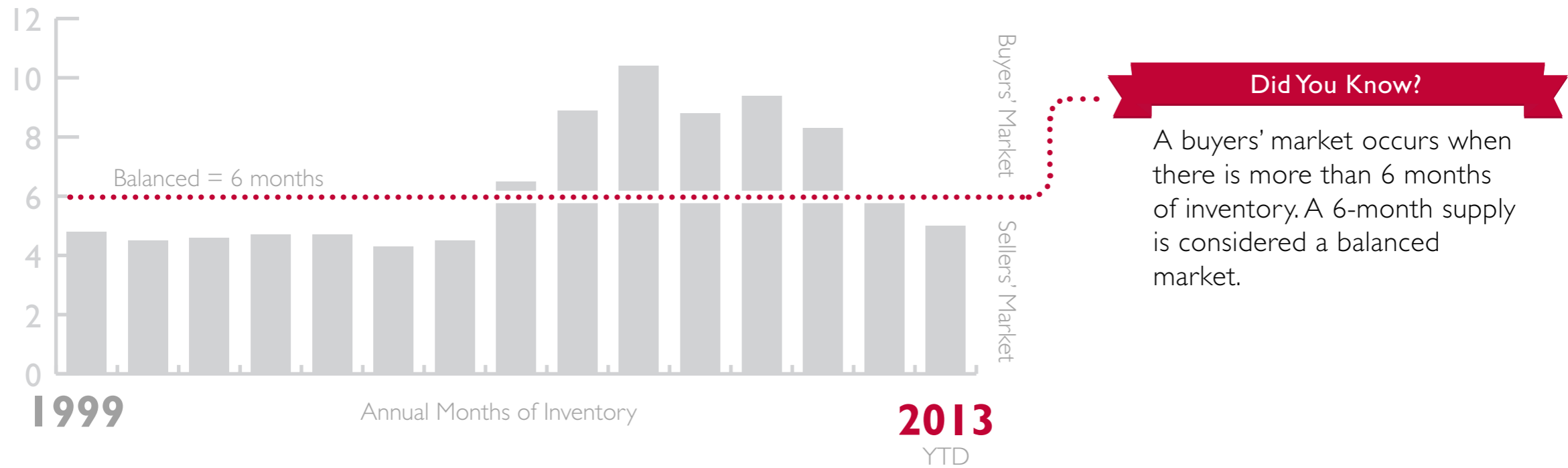
	1989	2013
 car	\$15,350	<b>\$30,000</b>
 gas	\$0.97	<b>\$3.54</b>
 bread	\$0.67	<b>\$1.99</b>

# Buyers' Market, Sellers' Market, and Price Points

During 2012, the favor shifted from buyers having the upper hand to sellers in most areas and was seen on average across the country and across all price ranges for the first time since 2006.

It's important to note that sellers may currently have the upper hand, but there are always good buys available in any market, particularly if you are ready to move quickly and are preapproved.

Make sure you're preapproved before beginning your home search so if you find the right home, you can jump on it.



# Where do I start and how much home can I afford?

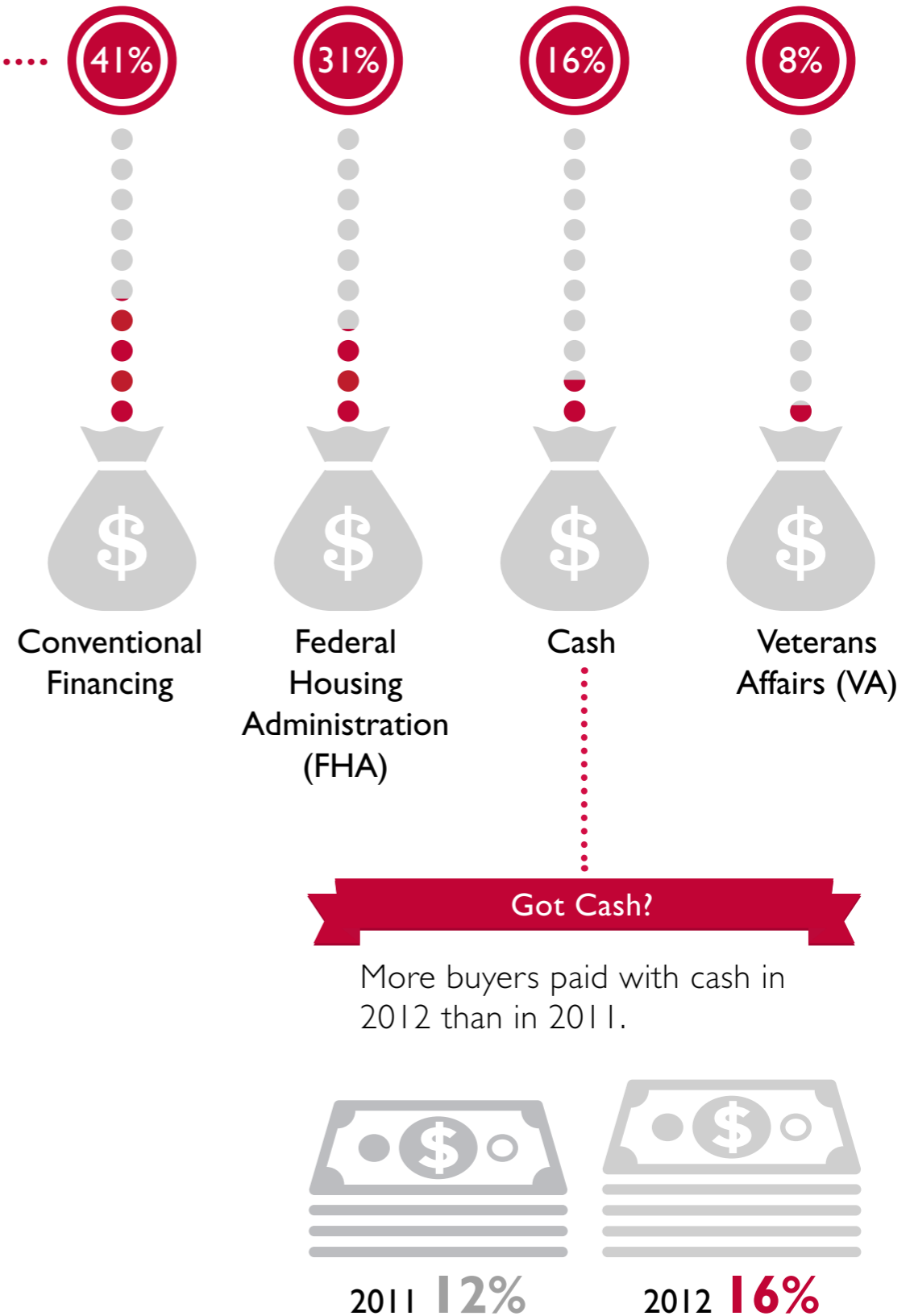
## Financing Your Home

Knowing exactly how much you can comfortably spend on a home is an important first step in the home-buying journey. It ensures you only look at those homes that fit your budget and match your wants and needs. Getting preapproved off the bat saves time, energy, and heartbreak.

### *Conventional Fixed Rate Mortgage*

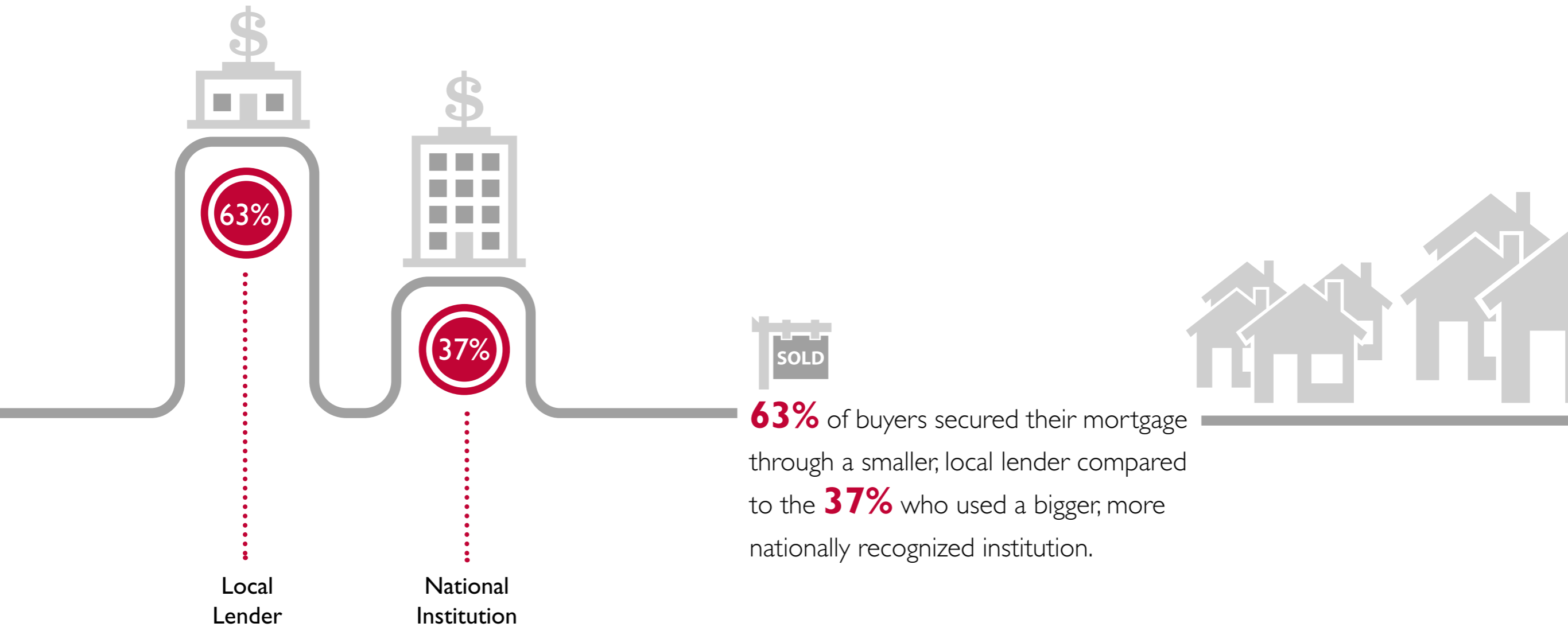
According to the Mortgage Bankers Association\*, the number of consumers securing financing for the purchase of a home increased more than 16% from 2011 to 2012. It's possible that there will be even more in 2013. In a competitive market, nothing beats cold, hard cash. Ask about how you can be competitive if this is the case in our market.

\*The Mortgage Bankers Association offers information on buying a home, financing, market data, conferences, and industry news.



## Lending Goes Local!

When shopping for a mortgage, don't forget the local guy. Since many of these lenders hold on to their loans instead of selling them on the secondary market as mortgage-backed securities, they may offer you more options.



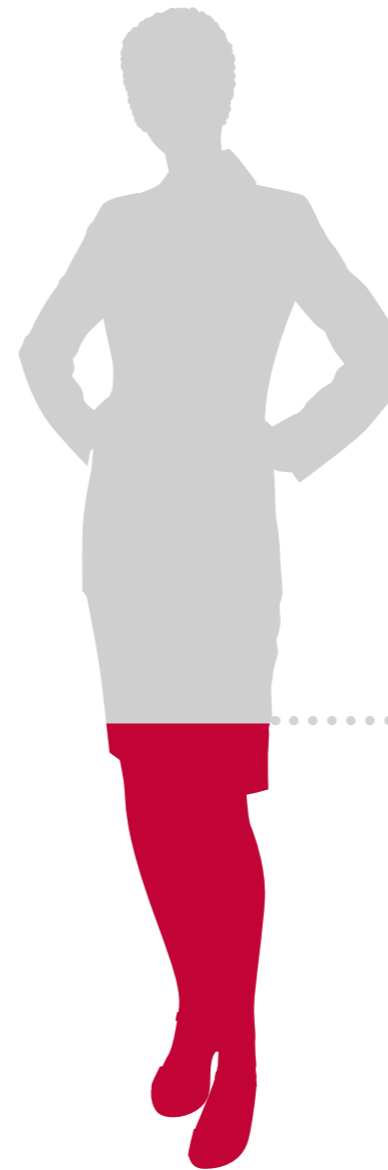
## The Deal with Down Payments

Conventionally, buying a home typically meant 20% down. Over the last decade or two, more options have become available. Federal Housing Administration and Veterans Administration loans have down payments that start at 3.5% down to 0% (for veterans). Conventional fixed rate loans can even come with very low down payments for highly qualified buyers.

The majority of buyers had a down payment of less than 4% of the list price.

The 20% mark still has many advantages. It's common to get a much better interest rate. You also borrow less, have a lower monthly payment, pay less interest over the life of the loan, and don't pay any private mortgage insurance.

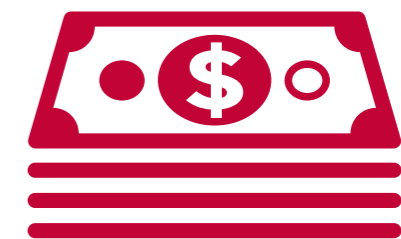
Private mortgage insurance (PMI) is an extra premium you pay for putting less than 20% down up front. On a conventional loan, it can go away when either you have paid down enough of the loan or the home value appreciates to where the balance of the loan is 80% of the value of the home. A recent change makes FHA mortgage premiums stay for the life of the loan: it no longer goes away when the mortgage reaches 70% of the home value.



**62%**  
PAID LESS THAN  
**FIVE PERCENT**  
AS A DOWN PAYMENT



**22%**  
PAID THE RECOMMENDED  
**TWENTY PERCENT**  
AS A DOWN PAYMENT



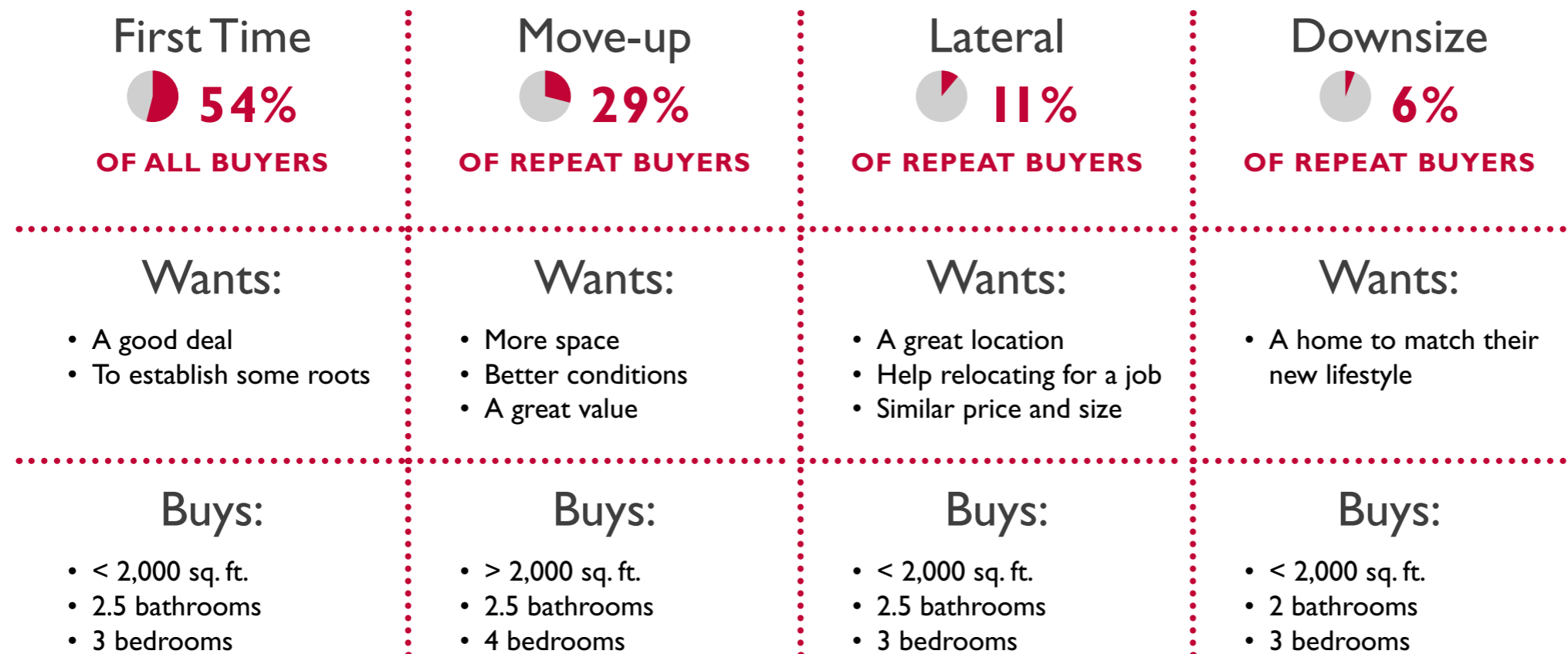


# Finding Your Home

Whether you're on the hunt for your first home or are ready to invest in the home of your dreams, the home search process is focused on finding the right home at the right price based on your values, wants, and needs for the short and long term.

## Factors That Might Affect Your Purchase

Repeat buyers typically have the most leverage during the home-buying process because they tend to be more financially stable, have built up some equity in the current home, and are more likely to be approved for a mortgage. Among the more challenging aspects of the home-buying process can be selling their current home before buying the next one.





### Did You Know?

**1 out of 10** buyers purchased a newly constructed home in 2012, up slightly from 2011. Be sure and ask about new home construction in your local market.

## Other Things to Consider

### Looking for a Deal?

**1 out of 4** first-time buyers purchased a distressed property due to their low price and “fixer-upper” appeal.



### The Return on Investment of Repairs and Improvements

There’s a term for the hard work put into the improvement of your home. Derived from the old adage, “from the sweat of one’s brow,” sweat equity describes the investment in a home by making repairs to improve the value of the property.



### “Relatively” Speaking

**59%** of first-time home buyers had a family member view the property before they purchased it.

### Take Action

Who in your family will need to be involved in the process of finding and buying a home? The earlier you identify them, the more prepared a real estate agent, like me, will be when it’s time to get them involved.

## What factors drive buyers to buy?

It's not just a house you're buying; the neighborhood plays a strong role in your decision too. In fact, **64%** of respondents said that **location** (proximity to people, places, and neighborhood) was the **most important factor** when they purchased a home. Think carefully about what you want in a home and, most importantly, why. I will be able to offer the best suggestions and creative alternatives once they know the why. For example, there might be a different neighborhood you don't know about that meets your needs perfectly.



**64%**  
Location



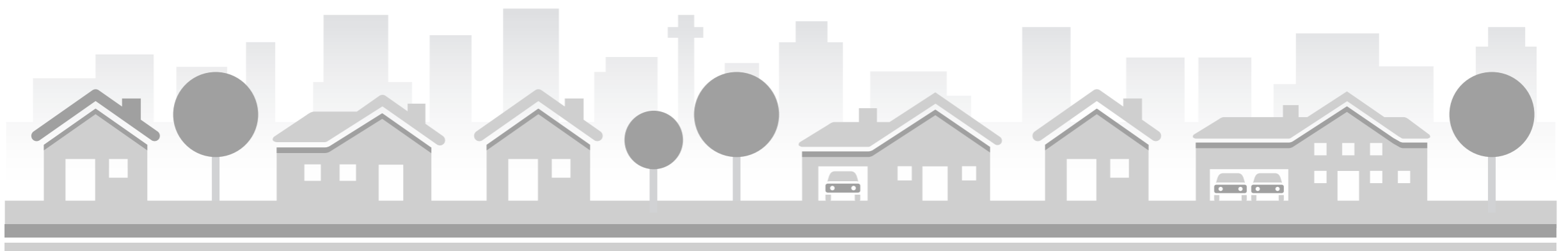
**50%**  
Market  
Conditions



**25%**  
Financial  
Benefits

### What You Need to Know

1. How much you can afford.
2. The location that's important to you.
3. The number of beds and other specifics about the house.



# What You See ... and What I Know

**Your job** is to see how the home stacks up to your wants and needs.



*The two most important questions YOU answer:*

①

Does it have the right space and/  
or location for my lifestyle?

②

Is it in the district of a school  
I would want my (existing or  
future) kids to go to?

**My job** is to know how the home stacks up to its competition.

In a competitive market, my No. 1 job is to help you get a home. In a rising market, you may need to pay more than the last home down the street to get your offer accepted. Most likely, the more popular the area, the fewer homes available. That means stiffer competition and the more important it is you have a knowledgeable agent that can help position you and your offer the best.

*In a market where buyers have the luxury of being choosier, it's also my job to answer questions such as:*



How does the home compare in size and layout to the homes around it?

Does it offer value compared to the homes around it?

Does it show signs of major maintenance or structural concern?

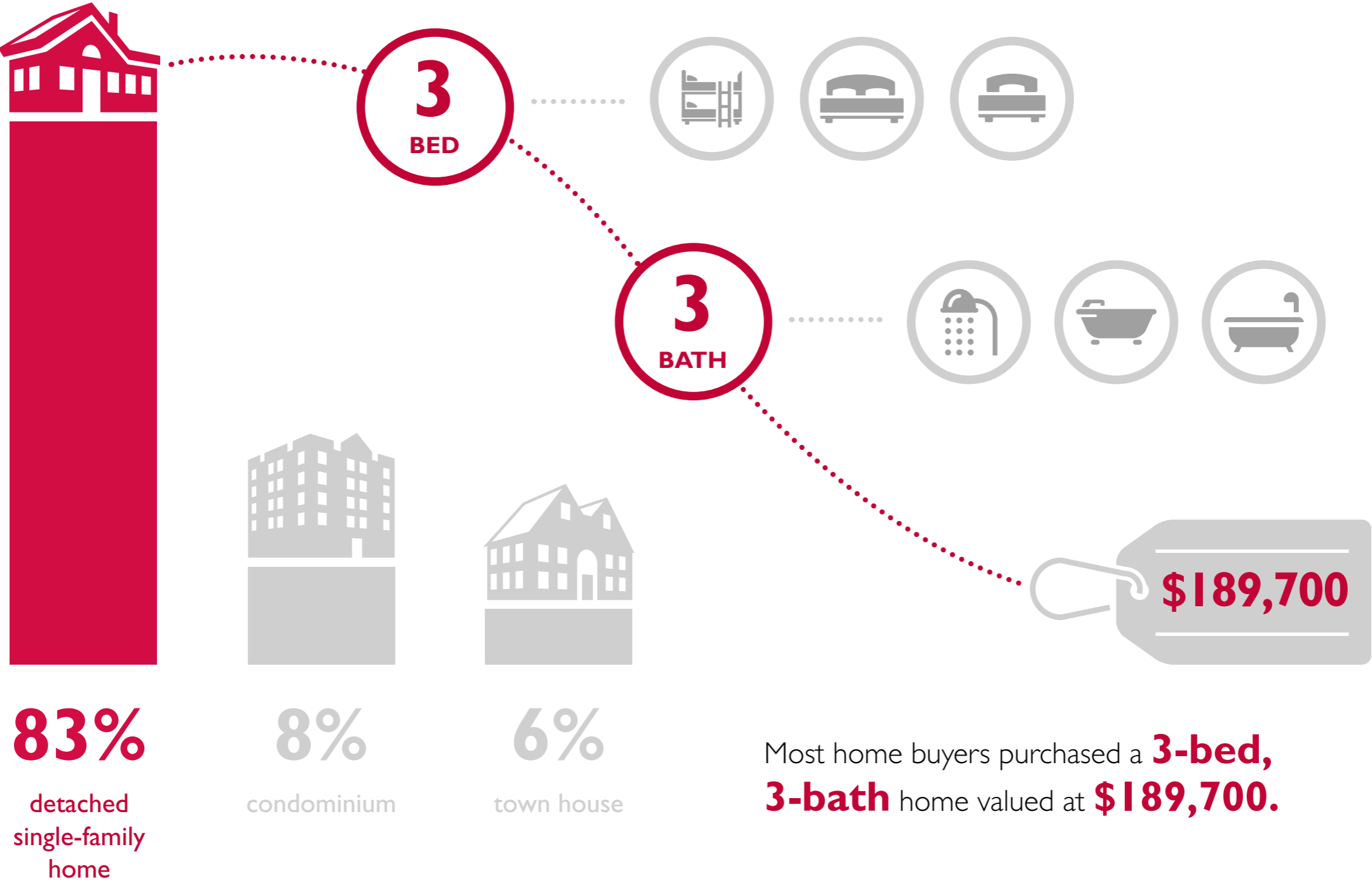


*Four more questions to ask in today's market:*

- ① How fast are homes selling in our local market?
- ② What kind of homes are selling the fastest?
- ③ Am I likely to face a multiple offer situation?
- ④ What's the list-price-to-sales-price ratio in the area I want to buy?

# Four Questions to Consider During Your Home Search

## 1. What types of homes are being purchased?



## 2. Where to find properties?

That depends on you! Are you a shopper that uses research and information to make decisions?

Many who are start their search online.



**2 out of 5 buyers started their home search by looking at homes for sale on the Internet.**



**90% of buyers used the Internet during their search process.**

Don't want to spend your time searching online? That's great too! I am the local expert and have information on homes before it hits the Web. My job is to help you make the best decision, so use me as a trusted adviser.

The majority of buyers use both the Internet and their agent to successfully purchase their home. Using my webpage or email notifications can help keep me, as your agent, in the loop on your favorites.

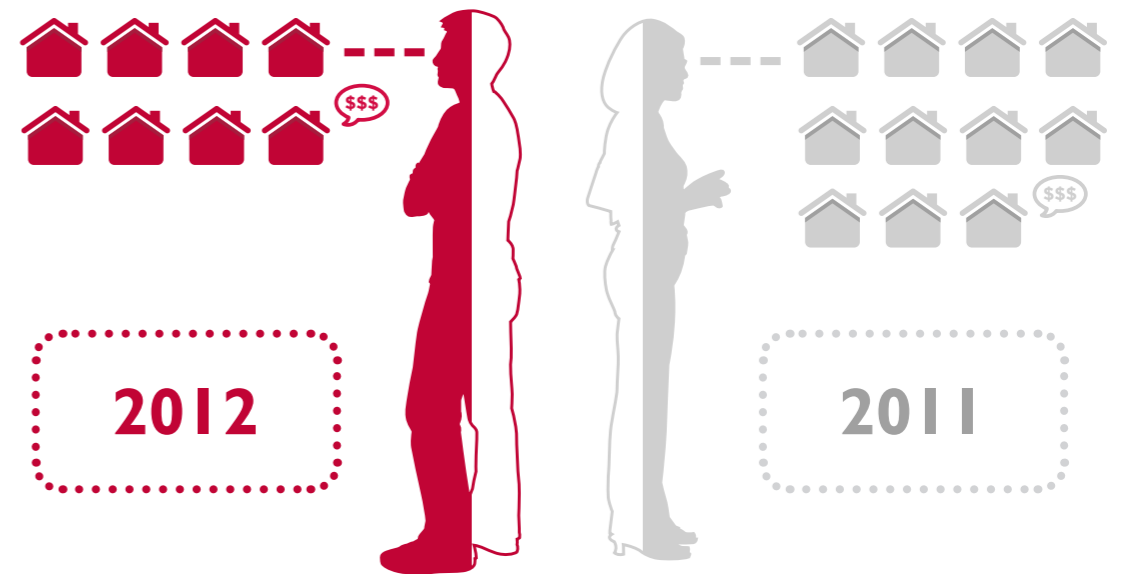
### 3. How many homes will I view?

*In 2013*

Based on lower levels of inventory, there are less homes for buyers to look at.

*Compared to 2012*

Half of all buyers viewed **8 homes** before making an offer.



### 4. How long will it take to find my home?



Buyers spent an average of **7 days** viewing homes.





# Buying Your Home

## The Offer

If finding a home is the fun part, then writing the offer is when things start to get really exciting! Though there are more challenges in this stage of the process, you are one step closer to owning your home. Anyone can find a home they love, but as your agent, I can help you write a competitive offer and get through the sometimes choppy waters from the time you go under contract to when you get the keys.

## What's the Right Price?

The right price fairly reflects the market value of the home you want to buy. To find this price, I will pull together a Comparative Market Analysis (CMA), which is a set of Multiple Listing Service (MLS) records about recently sold homes that resemble the one you want in size, condition, location, and amenities.



# Make an Offer They Can't Refuse!

The best deals in today's market are ones that come close to meeting or exceeding the seller's asking price.

In fact, KW Research found that in 2012, the number of sellers who dropped their price fell by 17%—a number that can be attributed to economic growth in the United States.



## Show Sellers You Mean Business

You can be in a much better bargaining position if sellers know up front that you **qualify** to purchase their property.

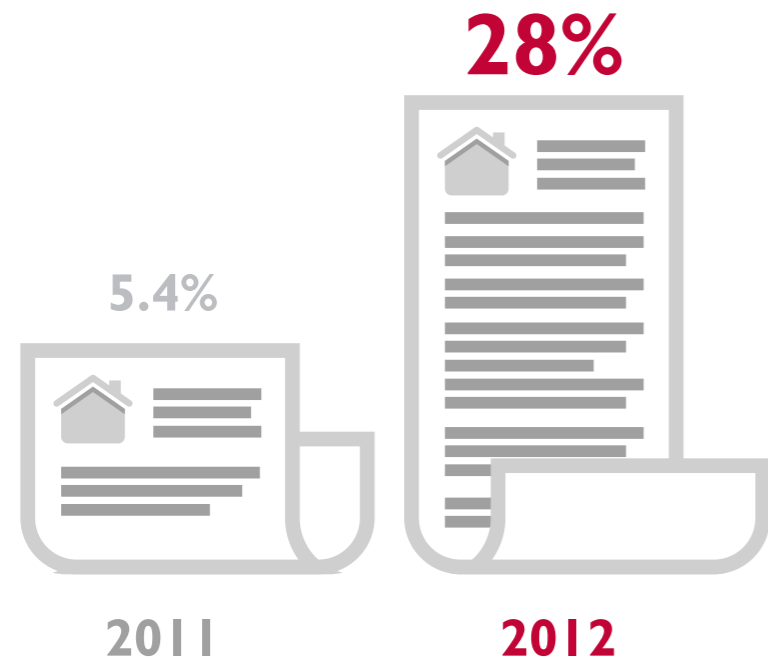
Get preapproved for a mortgage/obtain cash to be a cash buyer.

Obtain a conditional letter of approval or proof of funds for cash offers.

Put down a sizable down payment or earnest money.

Write a letter to the seller introducing yourself and your family, include photos if you like.

# Home Warranty



The number of sellers who purchased a home warranty protection plan went up from 5.4% in 2011 to 28% in 2012. Having a home warranty in place can help during the inspection negotiation. Even if the seller does not agree to pay for it, you can still purchase a warranty. Home warranties limit your out-of-pocket expense for certain repairs. They typically cost \$300–\$400 for one year of coverage. There are options for sellers during the time their home is listed as well as for buyers.

# Multiple Offers: Buyers Be Ready

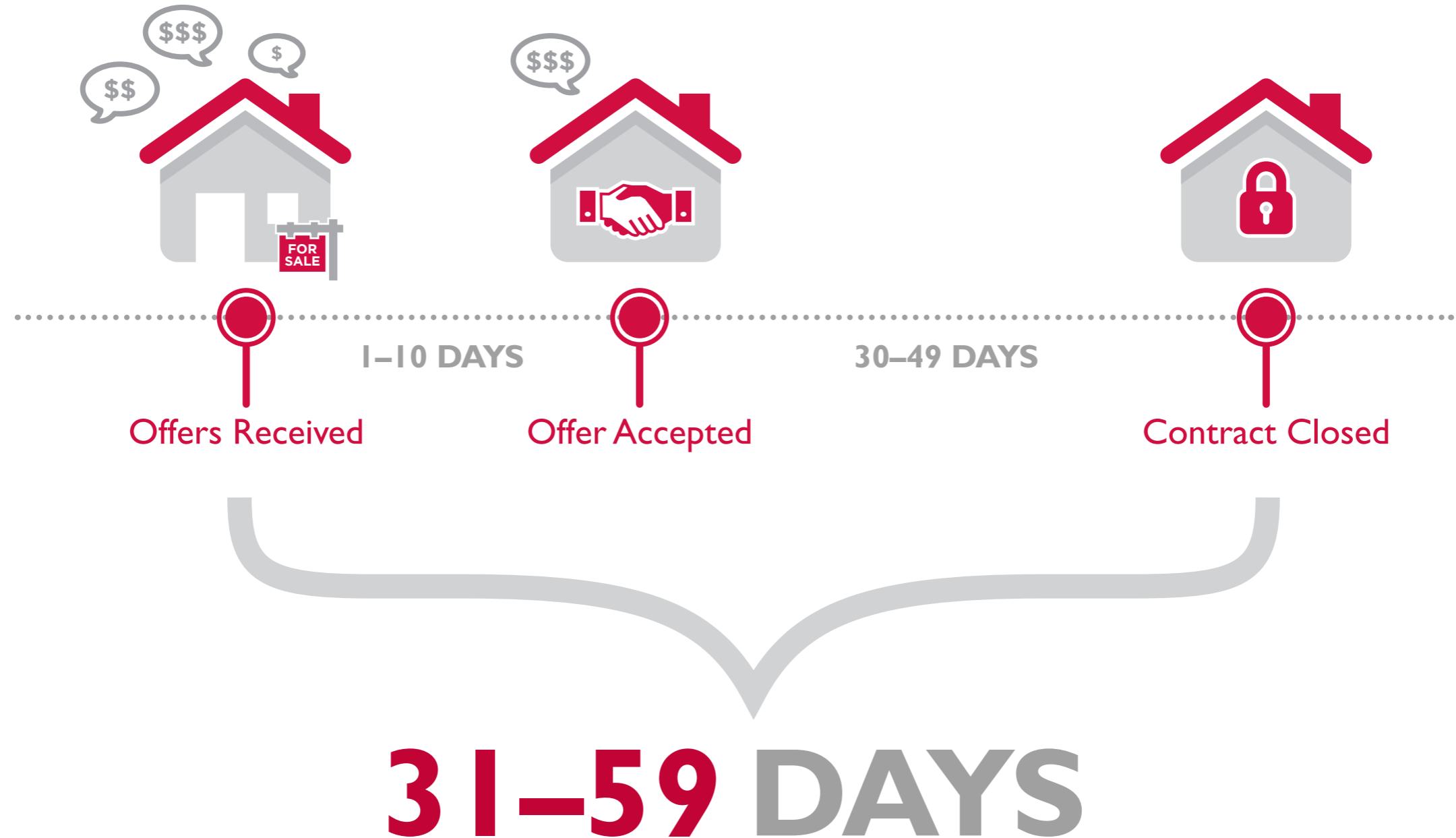
When the market heats up, so do the number of buyers bidding on the same home. When there are more buyers than there are properties, it can create a multiple offer situation.



**Nearly 1 in 3 buyers entered a multiple offer situation in 2012. In 2013, the number is even greater.**

# Timeline to Table

A look at the average time it took buyers to go from offer to contract and then to the closing table.



# Appraisals

If you are financing your home, appraisals are an important step. A mortgage is a collateralized loan, which means if the borrower doesn't pay then the bank will take back the house. This is why mortgage rates are less than others—it's not just a personal promise to pay back the loan, the bank will still get something even if the homeowner defaults. To make sure the home value is in line with what you are paying for it, the bank orders a third party to check. These are called appraisals. In a market where prices are appreciating quickly, appraisals can be a challenge.

In some areas appraisals are coming in below the contract price and possibly derailing the purchase for about 1 in 10 buyers, so be prepared to handle this issue.



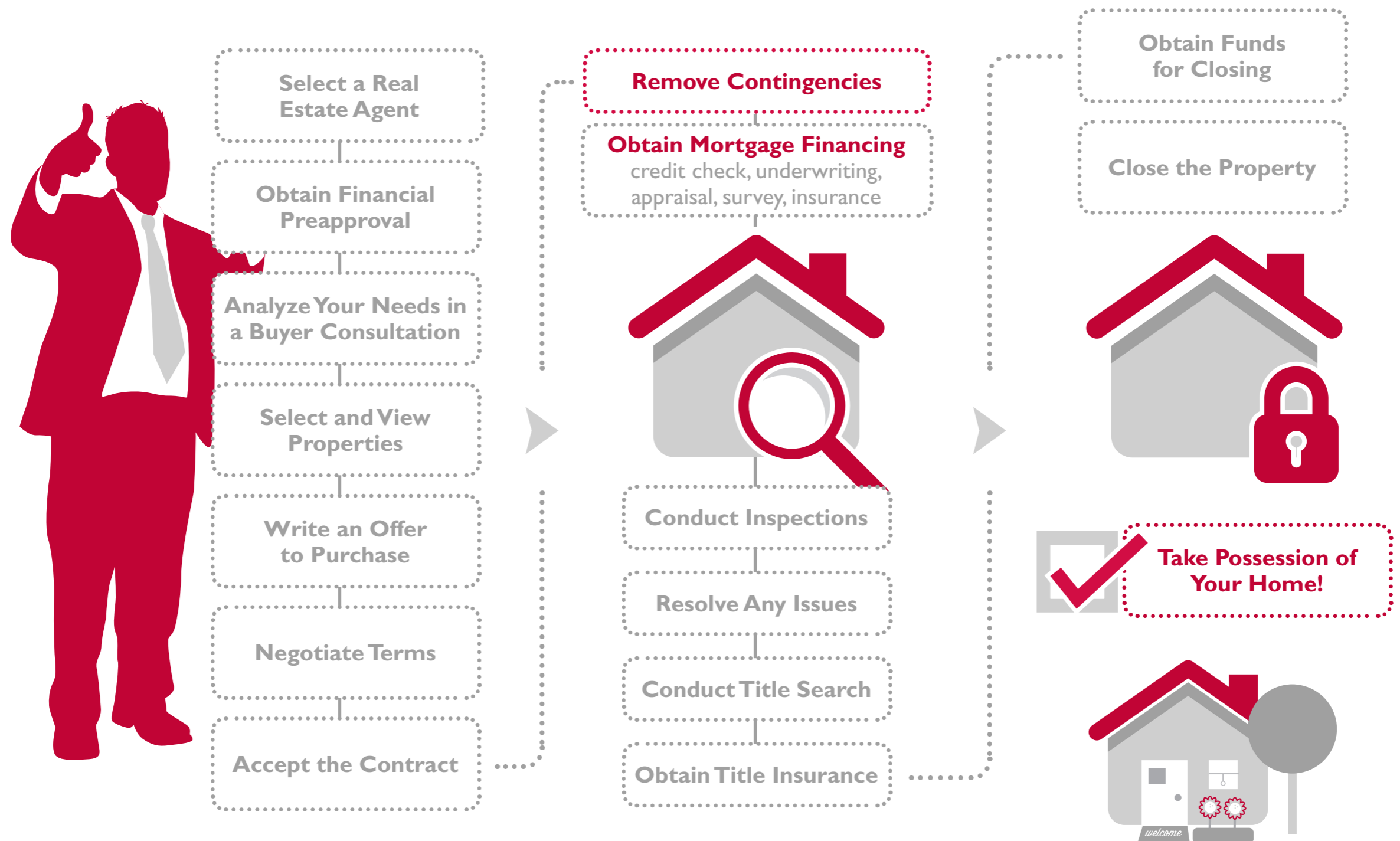
Ask about how appraisals are affecting deals getting to closing in our area.

## Vision and Perspective

Even in a buyers' market the best houses sell the fastest. If you see a home that meets the majority of your needs and is within your desired price range, you should make an offer right away.

# The Home-Buying Process

Now that you understand the numbers that drive a real estate transaction, here's a look at the home-buying process.



# In Our Market



*Interest Rates:*



*Home Sales:*



*Home Price:*



*Inventory:*



*Days on Market:*