Sick of Getting Outbid on a Home? Here's How 1st-Time Homebuyers Can Stay Competitive

Description

For many first-time homebuyers, the viscous cycle of 2021 has continued into 2022: they see a home listed, they bid, they hope, they lose sleep, then they find out (in fewer than 24 hours) that they lost the bid. *Again*.

But though the market has been unkind to first-time homebuyers, you don't have to throw in the flag just yet. If you're looking to buy in 2022, here's how you can stay competitive.

1. Be quick and agile

In a seller's market, timing is everything. When homes go up, you better believe they won't be up for long.

Contrary to what you might think, many homebuyers don't win houses by offering outrageously high prices. They win houses simply because they were the first person to contact the seller.

So, you'll need to be quick. That might mean waiting past midnight to check new listings or getting a real estate agent who stays on top of new listings for you.

You'll also need to be flexible. If the seller contacts you back, don't skip a beat: ask to view the home. Yes, even if it means taking off work, calling the babysitter, or skipping lunch. Whatever it takes to get in the front door, *do it.*

2. Make unconditional offers

To stand out from other homebuyers, you'll want to appear the least cumbersome — that is, you want to clear as many obstacles for sellers *before* you make an offer.

One such obstacle is getting a mortgage pre-approval. With a pre-approval in hand, sellers know you have already started the mortgage process. It shows that you're creditworthy in the eyes of a lender, and often it shows a lender is willing to loan you a certain amount of mortgage.

Another condition you could eliminate is the home inspection. To be clear, this can be risky. By skipping the home inspection, you could inherit expensive problems. But if you're determined to buy a home this year, that might be a risk you just have to take.

3. Consider trade-offs

You can't be picky in a seller's market. So, let's go ahead and throw out the idea that you'll find your "dream house" this year.

Again, you want to be flexible. If you can't find a house with four bedrooms, what about three? Can't find a house in the exact location you want? What about a house nearby?

By opening yourself to other homes, you also open yourself to more possibilities. And, in a market with such few options, the more possibilities you have, the more likely you'll actually buy a home.

4. Don't invest your down payment

Finally, make sure your down payment is liquid cash. That means don't use this money to buy stocks, crypto, or mutual funds. Don't even use it to buy GICs. Keep this money in a savings account with no withdrawal restrictions or penalties.

I understand the temptation to invest your down payment. After all, when house prices grew at the rate they have been, you want your down payment to grow with them. If your down payment doesn't grow, mortgage restrictions could limit what you buy.

But, again, going back to the point made above, you have to be quick in a seller's market. Tying your down payment to investments will add an obstruction. Imagine you find a place you love at a price that's in your budget, but a market correction (like the one we're experiencing) leaves you with less down payment than you planned for. That's the worst–case scenario, but there's a good chance it could happen.

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