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How to Buy a New Home Before You've Sold Your Current Home

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In one of the hottest seller's markets (and I am not talking about the weather) in 20 years, how do you buy a new home if you need the equity in your current home to complete the purchase?

The best way for a buyer to avoid having to move twice is to structure a home sale contingency into the purchase contract of the new home. This allows you to drop out of the contract on the new home if your current home does not sell.

These home sale contingency offers are not easy to do, especially when you are competing against all-cash and multiple offers. However, we have been very successful in doing them for our buyers.

Here are a few ideas on how to structure them.

First, an agent's experience is crucial. As a buyer, ask your agent how many home sale contingency transactions they have been involved with in the past five years.

If they have been involved in fewer than 10 home sale contingency transactions and 100 regular transactions during that time, you may want to find an agent with more experience.

Also the buyer's agent should be local so they are very familiar with all the Palisades agents and have built up a long-term trust with them.

It comes down to personal relationships.

When you make an offer to purchase a new home (and include a home sale contingency in the contract), your agent

needs to convince the seller's agent (listing agent) why there won't be any problem selling your current home.

It is also important for you as a buyer to price your current home at market value or ideally a little below it. This shows the listing agent of the home you want to purchase that you are motivated to sell quickly.

We recommend that your agent invite the listing agent over to see your home so they can verify its condition and see how well-priced it is.

Additionally your agent should show the listing agent all the comparables to get them comfortable.

Occasionally when structuring a home sale contingency, you will need to offer a premium to the seller. This is because the seller is taking a risk by taking their home off the market.

When looking for ideal sellers who may be open to a home sale contingency, your agent should look for homes that have been on the market for a while and may have been overpriced.

For these types of properties the sellers are going to be much more motivated and willing to work with the buyer.

Also off market homes or new homes that are under construction are ideal candidates since the owners are not in a rush to sell and they may need the extra time as well.

It helps if your current home is already on the market or in escrow, but even if it is in escrow there is still the risk to the seller that your home could fall out of escrow at the last minute.

The contract for the home sale contin-

gency has a clause indicating how long—usually 17 days—a seller must wait before actively marketing their home for backup offers.

After that time period has passed, and if they do get a backup offer, they can give you written notice to remove the home sale contingency.

At that point, you must decide if you are comfortable removing the contingency for the sale of your current property.

Another option is to rent for the short term after you have sold your current home, but no one wants to move twice.

Since it is such a strong seller's market, the challenging part is finding a home and being the successful bidder when many homes seem to have multiple offers on them.

Also, be aware that lenders are very conservative these days.

Even if you don't *think* you need the equity in the home you're selling, if you plan on getting a mortgage to buy the new home most lenders will require you to sell your existing home in order to qualify for the new mortgage.

There is tremendous value in structuring a home sale contingency, but there are a lot of complexities so make sure your agent is an expert with a lot of experience.

Anthony Marguleas founded Amalfi Estates 21 years ago. He has sold \$750 million in properties and was selected by The WSJ as one of the top 100 agents in the country out of one million agents. He is currently the #1 agent in the Palisades. He can be reached on his cell at 310-293-9280, www.AmalfiEstates.com.