

Special Advertising Feature

New England Properties



PHOTO COURTESY OF MOTT & CHACE SOTHEBY'S INTERNATIONAL REALTY

This six-bedroom house in the College Hill neighborhood of Providence, Rhode Island, built in 1891, is the type that attracts many buyers, so many that some might be inclined to waive pre-sale inspections.



PHOTO COURTESY OF DOUGLAS ELLIMAN NEW ENGLAND

Houses like this, at 1 Crown Ridge Road in Wellesley, Massachusetts, with five bedrooms and an in-town location, are so desirable that motivated buyers may offer incentives to seal the deal.

TO WIN A HOUSE, BUYERS GRANT SELLERS CONCESSIONS

by Julie Bennett

The housing market is brutal, especially for first-time homebuyers. Mortgage interest rates are above 7%, the number of homes available is at its lowest in years and downsizing Baby Boomers with plenty of cash are chasing the same smaller homes. To get their housing bids accepted in this market, some buyers have to offer concessions to sellers. But such concessions may have unintended consequences.



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A simple, ready-to-move-in kitchen is on the wish list of most people seeking new homes, whether they are first-time homebuyers or downsizing Baby Boomers.

"Well-priced houses in good condition in all price ranges are flying off the market here," reports Jane Nielson, a real estate agent in the Wellesley, Massachusetts, office of Douglas Elliman New England. "At the high end of the market, most buyers don't need a mortgage and can make an offer with no contingencies. If younger buyers who need mortgages are bidding on the same house, it's de rigueur that they provide appraisal waivers."

Before they grant a mortgage on a property, mortgage lenders use appraisers to determine if the home is worth the purchase price and amount of the mortgage, explains John Campbell, in the Madison, Connecticut, office of Page Taft/Compass. Motivated buyers today often waive pre-closing appraisals, even if it means they must make up the shortfall at the closing. "The waiver is meaningless unless they also waive an inspection of the property. Sellers today want a clean offer with no contingencies so they can move on with their lives," he adds.

TAKING A CHANCE

Nelson Taylor, a realtor and founding partner of the Blackstone Team at Mott & Chace Sotheby's International Realty in Providence, says he "tries to protect first-time homebuyers and other buyers without deep pockets who are not comfortable with removing those contingencies entirely. They can do this by putting a cap of, say, \$40,000 to \$50,000 on an appraisal waiver."

"Many are also not comfortable removing an inspection of a property before they buy it," he says. "So we put a clause into their contract saying they reserve the right to conduct an inspection but will not negotiate any individual items that come up during an inspection that will cost less than \$10,000 or \$20,000 to repair."

A third concession is the subject of a cautionary tale. Taylor explains, "Our market is extremely tight now, and lots of sellers don't have a place to go. I often suggest that younger buyers who are living in flexible situations like rentals allow their sellers to live in the home rent-free after the closing for 45 to 90 days. This is a big issue for sellers who are waiting for a new home to be finished or are still looking for a new home to purchase. The incentive often closes the deal for my buyers."

Unless, of course, the sellers have a suitable housing contingency, which allows them to back out of the

deal if they cannot find a new home to purchase. This is what happened to a Manhattan couple this summer. They were renting an apartment and after their baby was born in the spring, they started making frequent trips to Barrington, Rhode Island, where the wife had grown up and her parents and siblings still live. "I felt trapped in the city," she says. "The baby hated her stroller and I didn't want to take her on the subway. Since my husband can work remotely, we thought why not move up here?"

WATCH OUT FOR SQUATTERS

They started working with Taylor. "The first place we really liked, we lost to an all-cash offer with no contingencies," her husband explains. "We were very surprised when our offer on the next house was accepted. The sellers had a clause in their contract that said the sale was subject to them finding suitable housing. Since our lease wasn't up until September, we wanted to be flexible. We gave them 30 days to look for a new house, then 30 days more. By the middle of August, they were still there and our mortgage agreement, at a rate that was just over 6%, and our apartment lease, were about to expire."

The couple scrambled through options. "We could move to Rhode Island, put our furniture into storage and move in with my mother or into a short-term rental," the new mother says.

"Or sign a one-year lease in Manhattan and hope the sellers could find a suitable home soon," her husband adds. "But we'd have to refinance at a higher interest rate."

Finally, at the end of August, the sellers cancelled the contract and gave the couple the right of first refusal if, and when, they do find an appropriate new home. "I think buyers don't have a lot of leverage here," the husband observes. "The sellers have a house in a good school district and neighborhood. They can always find another buyer."

"I'm not angry," the wife concludes. "They didn't go into this looking to disappoint a young family. They put in five offers on different properties and didn't get them. We are all victims of the current housing market."

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