If you are considering looking for a new home and you currently own a home, you may be wondering what the right strategy will be. Do you wait for the perfect home to come on the market or do you sell first and then look around?

Homeowners who decide they’re ready to become move-up buyers face a chicken-or-egg dilemma: Should they sell their current home first and then buy another, or buy a new one and then sell? The answer depends on several factors, including your local market conditions, your financing options and your feelings about potentially moving twice if you sell your home before your next residence is available.

I know for myself, I waited 4 years for the home of my dreams to come up on the market. I was looking for a home that I was able to cross off everything on my wish list. If I had sold my home first then I most likely would have not been in a position to have a place to live. So in my situation, I made sure I could carry both homes and I made the offer on my new home that did not contain a condition on selling because I did not want to lose this property. I had a longer closing date to give me some time and I also spoke to my realtor who gave me a realistic price to sell my home for. I was not trying to get the absolute top market value possible. I wanted a sale that I could live with and a close date that would accommodate.

**Market Conditions**

Before you assume that your real estate market is a buyer’s market or a seller’s market, you need to realize that you must be very specific about the market for your particular neighborhood, the style of home you own, and the price range for your property. In addition, you need to assess the availability of homes that meet your criteria. You’ll need to work with a knowledgeable, professional REALTOR® who can talk to you about how quickly homes that are similar to yours are selling and for how much. On the buying side, you should do some preview shopping to get an idea of what you want and how easy it is to find it. For example, if you must live in a particular, popular school district, you may want to consider buying a home first so that you’re sure you have a place you want.

**Financial Options**

In an ideal world, everyone would have the funds to pay cash for their next home, but the reality is that most people need the equity from the sale of their current home for the down payment on the next house.

One option is you can look a refinancing your current home to put the money down on the new home. Your mortgage broker can look at these options for you to decide term, rate and product with advantages or pitfalls.

We can look at borrowing the funds to put down on the new home with a line of credit, a family member or loan.

Another options option is to sell your home and then negotiate to rent it back from your buyers, but remember you’ll need to pay them for the rental.

Alternatively, if you sell first, you can temporarily live with friends or family or in a short-term rental while you’re between homes. In that case, you might need to pay for a storage facility for your possessions.

A drawback to selling your home first is that you may be unable to find a home to buy, or you may feel rushed into taking a place that doesn’t meet your expectations.

Some lenders also offer bridge loans for transitioning homeowners as long as they have excellent credit and sufficient equity in their current home. A lender can help you evaluate your options.

**Risk Aversion and a Plan B**

You’ll have to ask yourself what scares you most: selling first and having nowhere to live or buying first and being stuck with two mortgage payments. The answer depends on your finances and your local market, but in either case you should have a back-up plan to deal with the worst case scenario – either another source of income for those mortgage payments or an identified place to live for a few weeks or months while you shop for a home.
**Buy or Sell First? cont’d**

**If you decide to SELL first:**

There are several benefits to selling your current house before searching for your next home. If you sell first:

1. You will know precisely how much money you have to work with.
2. You will be able to narrow the pool of houses before you begin looking, and negotiate accordingly.
3. You will be able to immediately make firm offers on houses that you are serious about purchasing.
4. You can be first in line with an unconditional offer you know you can afford granting negotiating leverage as Sellers tend to take unconditional offers more seriously. When the Sellers counter or turn down an offer that’s conditional on the sale of a home, they usually think the Buyer will come back with a better and more firm offer once they have sold their current home. When you make an unconditional offer, the Seller will usually give you more consideration, as they realize you’re probably looking at other properties and will move on if your offer is rejected.
5. You have a wider opportunity to look around, negotiate, and find the best deal and fit for you and your family.

The flip side of this scenario is that if you don’t find the right property before the closing date of the house you’ve already sold, you may have to look for temporary housing until you do find what you’re looking for. Before you decide to sell first, you should determine whether you have alternate, temporary options, in case you have to move from your house before you’ve found a new one. How would you and your family deal with living in a transition home for an undetermined period of time?

**If you decide to BUY first:**

Buying a new house without having sold your current house may occur if you are interested in a specific property and will only sell your current home if this property comes on the market. It may be a matter of timing—grabbing hold of the home before it’s too late. The same might be said of a property you haven’t had your eye on previously, but that catches your attention due to its uniqueness or unbelievable price. If buying first means you don’t miss out on the real estate opportunity of a lifetime, it may be the best move.

However, if you buy another property and aren’t able to sell your current home quickly enough:

1. You could end up having to finance both homes and shoulder the extra debt until you sell.
2. You can get a financial appraisal or market evaluation of a home prior to selling, but this does not guarantee the price you will ultimately receive for the home after the negotiation process has run its course.
3. Since your selling price will be an unknown, jumping into a purchase could be a gamble, particularly if your budget is tight.
4. You may be faced with owning two homes at once.
5. What type of financial stress would this bring to your life and how would you deal with it?
6. Consider the fact that if your current house doesn’t sell quickly enough, you may be forced to sell it off at a reduced price in order align the closing dates of your two properties.
7. What effect would this have on your financial situation?

**THE ALTERNATIVE CONDITIONAL OFFER:**

An additional option involves making your offer to purchase conditional upon the sale of your current property within a specified period. Conditional offers usually:

- include a clause that allows for the Sellers to keep their property on the market and remain open to other offers while you try to sell your home. If the Sellers receive another attractive offer before you have sold your home, they may accept and ask you to either remove your condition and firm up your offer, or to back down from the offer.

- form a kind of middle ground, an area of compromise, for those who are afraid to sell or buy first—but does not hold the advantages of the other two options.

However, the drawbacks of the conditional offer are:

- Sellers tend to take them less seriously. They definitely give stronger consideration to firm offers. This leaves you with less negotiating power.
- some Sellers will simply turn down or counter a conditional offer.
- other Sellers will believe the Buyer will come back with a more serious offer when their home has sold.
- you may end up having to increase your offer in order to have your conditional offer accepted and keep your foot in the door of your desired house.
- even if your conditional offer is accepted, there is no guarantee another Buyer won’t step in and overthrow your offer before you have sold your current home, which would put you back at the starting line.
- you cannot withdraw your conditional offer until the end of the period specified in the contract—which means that if a better deal comes along, you will have to wait to jump at it.

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