

Make the Most of a Low Inventory Market

Recently all buyers, sellers and agents alike are buzzing about low inventory. Of course, there are many other 'hot' terms that are being used to describe the current market situation — be it a “seller's market”, “bidding wars” or a “hot market” with “homes flying off the proverbial shelf”. One thing is clear — houses are going from “for sale” to “sold” quickly.

In Minnesota, the local markets are on track with this national trend. In August, the Minnesota Association of REALTORS® reported closed sales increased 9 percent to 9,380 in a year over year comparison — up from 8,609 in August of 2015, a number that indicates a high demand in properties in the state. Yet, inventory continued to fall, with the month's supply of inventory decreasing 20.4 percent in August.

So, how can buyers and sellers entering the market make the most of this situation? Below are five tips RE/MAX REALTORS® recommend when buying or selling a home, when low inventory is a factor.

1. Trust your REALTOR®.

The first and most important thing that real estate professionals suggest is hiring a REALTOR® that is not only incredibly passionate about the industry but also one that you can trust. With today's market, you need someone that is in the know and has a regular pulse on the state of the industry.

A REALTOR® helps out in more ways than you can count on your hands. Not only can they assist in navigating through agreements and documents that are very detailed and legally binding, but a licensed real estate agent will have your back throughout the entire process. Real estate professionals don't make your decision — they give you options, tell you the obligations and then you make a decision from there.

2. Lean in to REALTOR® insights.

Not only is hiring a professional REALTOR® incredibly important but the insights that a licensed real estate agent brings is especially critical for buyers when there are fewer homes listed in a desired area. In today's fast paced world, there are houses being sold before they even appear on the Internet. REALTORS® network with other real estate professionals who are informed about upcoming listings, which is an important factor in gaining an edge on other buyers in today's 'hot market'.



78 percent of homebuyers found their real estate agent to be a very useful source for info.

The 2015 Profile of Home Buyers and Sellers 2015, National Association of REALTORS®



For the 49th month in a row, the median U.S. home value rose year-over-year in August and in each month so far in 2016.

Zillow.com



In each month in 2016, annual home value growth has been incredibly consistent at no slower than 5% per year.

Zillow.com



Increased competition has increased the average sales price of a home by 6.2 percent to \$252,329.

Minnesota Association of REALTORS®



Closed sales increased 9% to 9,380.

Minnesota Association of REALTORS®



Months supply of inventory decreased 20.4%

Minnesota Association of REALTORS®

3. Secure your finances.

In low inventory markets, it can be tough for buyers to find their “dream home”. When buyers do find the perfect home, they often get involved in bid wars and multiple offer situations. In these situations, it is imperative that buyers have their finances lined up prior to making an offer. Many sellers in this market won’t even consider an offer without a letter of approval from the bank. Some real estate professionals even go as far as talking to the loan officer to ensure a clean pre-approval. The ability for the seller to have confidence in the prospective buyer is a critical factor. If a buyer waits until making an offer to get approved – it’s too late. In order to not let a dream home slip away, taking the first step and getting pre-approved is a great place to start.

4. Decide on compromises.

Buying a home is part of the American Dream — so it is hard to imagine you would settle for anything less than that home you’ve been dreaming about. But REALTORS® will tell you that no home is perfect, and the home in the right location can be modified to make it the home of your dreams. Real estate professionals report that buyers today want a home that is not only move in ready, but is in almost pristine condition — which is a change compared to years ago.

Take advantage of this situation and look past a house’s decor if you are a buyer. Real estate professionals point out that many homes on the market just need cosmetic improvements, which are usually easy and affordable changes compared to knocking out walls and changing floorplans. If renovations are not in the budget, trends usually come back in style. Midcentury modern and ranch-style homes, for instance, are now becoming popular.

If you are a seller, a real estate professional can help you decide what, if any, enhancements to the house may be necessary before it goes on the market.

5. Flexibility could win the deal.

Houses right now are in such high demand that in many cases the buyer with the highest offer gets the house. It’s not out of the ordinary, real estate professionals say, for buyers to offer over the list price in order to win the bid. So, what can buyers do in order to win a bid war when they don’t have extra money to offer to sweeten the deal? Being flexible is one of the top things REALTORS® recommend. Not being nit-picky about inspections or move-in dates are small yet important things buyers can do in order to convince a seller that they should accept their offer over one that has a higher dollar amount. Simply having empathy for the seller’s situation can sometimes put the odds in the buyer’s favor.