

In a Sellers' Market, Build!

Back in August 2013, with the Metro Detroit real estate market well on it's way to recovery, articles in The Detroit Free Press and Crain's Detroit Business announced that we had transitioned into a seller's market. To potential buyers looking for a home at the time, this was hardly news.

A steady increase of home prices across the region, along with limited inventory, led to a fairly quick change in market conditions; bidding wars became the norm for the few desirable homes that remained.

At the time, The Free Press noted that some Oakland County brokers report five buyers for every one listing.

Not much has changed since.

Inventory remains light, and another issue that surfaced post-recession has remained commonplace: homes not appraising for the offer amount. You might have the mortgage approval to support the highest bid on a property, but if the home doesn't appraise for the bid amount, your mortgage is useless. Cash buyers - where an appraisal isn't required - remain the preferred option for sellers. For those of us who don't have a couple hundred thousand in cash lying around, it can be tough to compete with.

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Our question is, why not just build?

With hundreds of new homes typically available and thousands usually ready to be built, anyone looking for a home north of \$300k in Southeast Michigan can be accommodated. No bidding wars. No appraisal concerns.

Of course, you'll also likely end up with a more energy efficient and modern floor plan, without incurring the costs of updating a resale home. Keep in mind, it's rare to purchase a home even 5-10 years old, without making some changes.

According to Remodeling Magazine, a new kitchen could run you \$60k; a bathroom remodel could run over \$20k. Often, you'd only recoup 50% of those costs in resale value.

With a new home it's all included. Even if your dream home isn't move-in ready, waiting a couple months for what you want is far better than settling for what's available – especially if you plan to be there for a while.

As for financing your new home, few people realize how easy the process is. In most instances, construction financing is not necessary. A small deposit is due up front – as low as \$5k with some builders – and the rest is due at closing when your mortgage kicks in. Just like it would with a resale home.