

## Buyer Mistakes in 2005

The 2005 residential real estate market was filled with anticipation of the over-hyped real estate bubble. Though we'll only see a correction, home buyers and sellers made some mistakes that those looking to buy or sell in 2006 can put to good use in their transactions.

### Buyers

**Bought properties to flip at top-of-market prices.** Thinking the bubble headlines were wrong or didn't apply to them, inexperienced real estate investors wanted to become week-end millionaires. What they didn't know is they were buying properties from the experienced investor's portfolios as they exited markets at the top.

**Utilized Interest-Only Mortgages.** Many home-hungry buyers discovered the only way you can pay top-of-market prices is to get an interest-only mortgage. If prices decline or buyers have reached way beyond their means, these homebuyers could fuel a foreclosure market. Fixed-rate mortgages will become the majority in 2006 as mortgage underwriters and educated consumers are reunited.

**Overlooked Resale Characteristics.** New construction was the rage in 2005, everyone wanted to select finishes, floor coverings and kitchen cabinets. 2005 buyers should beware when they become sellers that future buyers could bypass their resale that was new in 2005 for the chance to design their own new home, just as they did.

**Skipped Performing a Home Inspection.** Before some markets shifted away from sellers markets, many homebuyers waived their right to a property inspection. Never, skip or waive the right to an inspection, the benefits far out weigh the costs and could save you numerous headaches and expenses later. Always use a professional home inspector.

**Misinterpreted developers give-away's.** Two years free condominium assessments, stainless appliances and plasma TV's were thrown in to induce buyers to write contracts to purchase. What many buyers thought were freebies were actually a signal that markets were softening and that projects were slow to sell from increased competition and a lack of buyers. Incentives are often a band-aid for a languishing development.

**Were represented by the same agent representing the sellers.** Thinking they might get a better deal or out of ignorance used the listing agent to represent them as well. Most states require written acceptance of this situation known as dual-agency by both parties under agent license laws. All buyers should be represented by an agent who has a fiduciary responsibility to them. There is nothing illegal about using the same agent, but, if you have any doubts you should hire an agent to represent you exclusively.

*The Amstadter Team*

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**Didn't Read Homeowners Association Documents.** Having to get rid of your pet/s because you didn't know you were moving into a building that doesn't allow animals or restricts their size is an example why every buyer should request and read home owner association declarations, rules and regulations, association meeting minutes and budgets. Ask if there are any special assessments (typically for capital improvements; new roofs, windows, elevators) or planned ones. Special assessments can run into the thousands. Check to make sure there is no pending litigation or, if there has ever been any litigation and what the result of that litigation was.

**Neglected to request rates of state, county or local transfer taxes paid by buyers at closing.** Some buyers learn too late that they might need large amounts of extra money to pay transfer taxes in the state, county and city where they are purchasing property. Transfer taxes which typically can't be financed can kill a transaction. Inquire when you start your search if there are transfer taxes and who pays them.

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