

What to Do When the Real Estate Market Has Low Inventory

Once you've taken all the steps to prepare for buying a home, you're ready to begin the house hunt. But what happens when you're out scouting neighborhoods — in person and online — and you realize there's not much to look at? Finding few options, or maybe even nothing for sale in your price range is increasingly common for many homebuyers. But hang in there. You can buy a home, even if your market has low housing inventory. Here are some tactics you can employ right away.

1. Offer a higher price — within reason

It's supply and demand 101: Prices rise when inventory is low and demand is high. "I recommend to go in with your best and final offer immediately," says Danielle Schlesier, a Boston, MA, agent. Offering a higher price can be tricky when you're buying a home. You'll need to make sure you can afford — and get — a bigger mortgage. But you also need to be able to make up the difference in cash if the house appraises below your offer. Most lenders will not approve a mortgage for more than the appraised value.

You could also offer more money upfront. "Consider making a bigger deposit. Instead of an industry standard \$1,000 to bind the offer, consider \$5,000," says Schlesier. "This shows the seller you're serious, and it may make your offer stand out."

2. Act quickly, but practice patience

Landing a home in a competitive market can mean a lot of "hurry up and wait." Schlesier advises her clients to "be ready on a moment's notice to make an offer on hot new listings." But be prepared. Although you need to be ready to pounce on a home as soon as it becomes available, the deal might not be right for you. Or your offer may be turned down.

3. Be flexible on closing dates

Besides being fast on the offer, you might need to close quickly too. If your seller needs a quick closing because of a

job relocation or divorce, your offer might have more weight if you can sprint to the closing table. But how can you speed up this process? Shorten your inspection time frame. Ten days is long enough for a termite and home inspection if you've got an inspector ready. Also, if you're preapproved, you may be able to close as quickly as an all-cash buyer. Your mortgage lender will have everything in hand to start underwriting your mortgage.

4. Rent the home back to the sellers

Do you find it tough to time your cooking so that all the food is ready around the same time? Consider how hard it can be for a seller to sync the sale of their home with their new home's move-in date. In a competitive market, sellers could end up homeless if their home sells before they have a new home to move to. If you can postpone your own move, offer to rent the house back to the sellers for a short time. This might give the sellers the flexibility they need — and a competitive edge for you.

5. Write a great offer letter

Many sellers, especially those who plan to keep in touch with their neighbors, care about who will buy their home. So craft a letter explaining who you are and why you love the house and neighborhood. "Sellers love a good story. They want to see their pride and joy go to someone they like," says Aaron Norris, a real estate investor with The Norris Group. Norris recently received such a letter from a buyer's agent. "I was so impressed, I gave the agent a call and told her about a few people in the neighborhood to contact."

6. Approach landlords

Here's a think-outside-the-box idea: Approach landlords who are advertising a home for rent. Ask if they'd be interested in selling. You might be turned down, but you never know. Not all landlords want to be in the rental business. Some reluctant landlords who can't find a tenant would be happy to entertain your offer.

Source: Forbes.com