

When is the best time to purchase a house?

The best time to purchase a home depends on the person, their circumstances, and future goals. When determining whether or not "now" is the right time for you to buy there are specifics that you should consider in your decision. Although I will do my best to outline points one should consider when deciding if now is the right time, understanding listing all determining factors is a task next to impossible due to personal details independent to the person in question (for example someone may travel or be forced to relocate a lot making renting a home a smarter financial option).

What type of investment are you making? Make no mistake, buying a home is an investment, and you should have some idea what your plans are for this investment.

Are you buying for the long term (7 years or longer), or will you be moving in the immediate future?

Will you be living in the home, or is it a second home or investment property you are buying for income purposes? If it is an investment property, will it generate positive cash flow?

Will you hire a property management team, and how will this cut in to your bottom line?

Second home, can you afford the additional debt the new mortgage will bring?

How would this affect your style of living?

Assuming it is a primary residence, you should plan on staying in the home for at least two years (for capital gains reasons), which should be a determining factor, but deciding how long you are planning on staying in the home will influence your exit strategy. If this recent real estate market has proven anything it is home ownership is not a guaranteed profit. How do you plan on moving forward with this investment in the future - selling, refinancing, or riding out your original financing... these points should be considered before moving forward. If you understand and have an exit strategy, it's time to consider what local markets you are interested in have to offer.

Is the market a buyer's market (many sellers and listings), or is it a seller's market (more buyers than inventory listed). Buyer's markets favor buyers, so ideally you are looking to purchase during this type of market, desperate sellers mean lower offers are reviewed more seriously and you have a better chance of securing a low purchase price. Some believe winter is a better time to buy than summer because summer brings out traffic, and incidentally increases buyer action and improves seller opportunity. I leave this up to you to decide whether it holds merit. If it happens to be a seller's market, it doesn't mean you should not buy, of course there are compensating factors. In addition to determining what type of market it is, you should consider overall market conditions. Are home values increasing or decreasing in the area you are considering. Obviously an appreciating market has its advantages. If the market does happen to be depreciating there is usually good reason, and you may be able to find a home that is significantly undervalued presenting its own opportunity. Finally one needs to consider financing markets which means rates and programs available.

Getting preapproved and discovering what financing options available to you is very important. Low interest rate periods such as the one we are in, present significant opportunities of qualified borrowers. When reviewing financing, you should consider income, assets, credit, and your up front and re-occurring costs. The up front costs refer to down payment and closing costs, re-occurring costs refer to monthly payment. Can you afford the investment and still live comfortably. You should look to retain at least six months reserves (reserves in the lending world refer to your PITI or principle, interest, taxes,

and insurance; but for general purposes you should measure differently - total reserves needed to sustain life). As far as re-occurring expenses, your total monthly expenses should not exceed 40% of your monthly income. This is by no means an industry requirement, it again should be a personal requirement. In addition your income and employment should be stable and in no immediate foreseeable danger.

The point of these factors is to ensure you are in a financially sound position to handle homeownership, and the expenses many do not anticipate. Moreover, it ensures you can weather unforeseen expenses not associated with the home (medical bills for example).

Ultimately, the best time is when you find the right home that meets your specific requirements and is the right price. There are always new listings on the market tomorrow... don't compromise on what you can afford, be patient and don't expect this to happen overnight. Sometimes it will, usually it won't.

Buying a home should not be a spur of the moment decision. It requires thought, research, and objectivity. Understand that creating the best time to buy will be ultimately be up to you. If all the market indicators are right, but you don't have stable employment, the time is not right. If you do your research, know how much you can afford, buy under that limit, secure financing in line with your future goals and exit strategy, and remain solvent with reserves to fall back on; you will find yourself in the wake of the best time to buy.