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**W**hen we talked about New Year's resolutions for 2016, we said, "Be prepared to see higher prices and fewer homes on the market."

And, that's exactly what happened. More people wanted to buy homes and fewer people decided to sell, which made 2016 one of the strongest seller's markets in recent years.

Unfortunately, 2017 looks to be more of the same. According to Doug Duncan, Fannie Mae's chief economist, homeowners are staying in their homes longer, and the super-low interest rates we've seen since 2012 mean that it's often less expensive to stay rather than downsize.

Low housing inventory means that prices will continue to rise. Rising interest rates mean affordability will be impacted, particularly for first-time buyers. So, if you're planning to buy in 2017, you've got to be prepared for even higher prices and higher interest rates.

The best defense is a great offense. If you're going to buy, be prepared. Here are some home buyer resolutions you should make if you're preparing to buy a home (particularly a first home) in 2017:

**1 - Know how much you can afford to spend.** As interest rates rise, the amount you can afford to spend will fall. So, know what you can afford ahead of time and be sure to get pre-approved for your mortgage (as opposed to pre-qualified) so that you will be able to act quickly when you find the right house. Also, there's a difference between what lenders tell you is affordable and what will feel comfortable for your pocketbook.

**2 - Understand the total costs of homeownership.** Yes, there are the cost of the mortgage, real estate property taxes and insurance. And then there's the cost of heating and cooling your future home which, as temperatures often dip well below zero in the upper half of the country, is a reality you should be prepared for financially. Maintenance is typically underestimated

by home buyers, especially first-time home buyers, so be sure to set aside enough in your budget for small things (like blacktopping the driveway every year or two) and big ones, too (like re-roofing or tuckpointing).

**3 - Think about how easy (or hard) it will be to sell before you buy.** Whatever attracts you to a home will be the thing you lean on when it comes time to sell. But just because you can overlook a major flaw (a highway in your front or back yard, or a municipal waste facility across the street, or some other reason the location is undesirable) doesn't mean future buyers will -- unless the price reflects that. Which just means you should expect lower than average appreciation. If the hurdles are too much for the majority of buyers, then you need to push the seller to give you an even more advantageous price.

**4 - Understand the art of negotiation.** This past year was all about sellers. And, 2017 will also be a seller's market. That means you have to be prepared to pay more and get less. But, there are still deals to be found. You just have to look harder. We're always amazed that some people spend more time picking out a new car than picking out their new house. Don't be those people. Take your time. Understand where you want to live, and then find the people who can help you find whatever deals exist in those areas. Typically, those will be ugly houses that need cosmetic fixes rather than structural ones. Don't be afraid to paint!

Finally, remember that real estate doesn't have to be a zero sum game. Just because you win doesn't mean everyone else has to lose.

The best real estate deals allow everyone to shake hands and walk away from the table feeling like a winner. And in this year of uncertainty, disappointment and just plain incivility, spreading a little extra goodwill during the negotiations and at the closing table seems like a very good idea indeed. We promise it will pay off in spades.

Happy New Year!



2017



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