

State of the market

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(Photo: Shutterstock)

How times change. Just a few short years ago, central Indiana homeowners saw their property values plunge. Some sellers felt they couldn't give their properties away, while buyers could snap up steals.

As 2016 rolls to a close, local real estate continues a robust trend – with homes moving quickly at rising prices. Yet an inventory shortage continues, and house hunters have their work cut out for them.

"It's been a long time since demand has so outpaced supply," said Michael Fisher, an associate broker with Carpenter Realtors for 27 years. "I recall in 2006 there were about 22,000 active listings within the Metropolitan Indianapolis Board of Realtors service area. Today there are 10,977, and the service area has now expanded

to include other counties."

The lack of inventory is a challenge all around.

"There just aren't enough homes on the market, so people won't list their homes unless they see there is something to move up to," said Stacey Sobczak, managing broker of the Carpenter Realtors office on Main Street in Westfield. "March, April and May will be crazy if we don't get more listings."

The inventory squeeze "is especially acute in the \$100,000 to \$250,000 price range," Fisher said. "Move-up homes – those from \$300,000 to \$500,000 – seem to be in good supply in most areas, and I believe there is an oversupply of homes priced at \$1 million and up."

Sellers are stylin'

Because the local real estate market has more people out buying than there are homes to buy, sellers have the clear upper hand.

"This means that sellers are getting top dollar for their homes," Fisher explained. "But they're often confronted with buyers who want a house to be move-in ready because they are offering top dollar, in some cases over list price."

In this environment, agents recommend that sellers update their properties, disclose any issues or conditions they know about or even have a pre-listing inspection and repair any problems.

"That won't eliminate other inspection repairs, but it will go a long way toward minimizing problems in the negotiation process," he said.

For her buyers, Sobczak said, "New construction is huge."

Older properties should be prepared to compete.

"If a new listing isn't updated and ready to move in, buyers will not consider it," she said. "Because buyers do want 'new,' staging and updating are important for sure."

Purchase price vs. appraised value

Another obstacle in the current market is financing, with mortgage and closing processes more intricate since the Dodd-Frank legislation took effect in October 2015. While the changes are meant to protect consumers, loan processing – especially appraisals – is taking longer.

With homes selling for higher prices, the appraisals must equal the agreed-upon purchase price – which can be problematic.

"If the appraisal is low, the buyer may either renegotiate the price or withdraw from the contract," Fisher said. "Because appraisals are based primarily on homes that have sold within the past 6 months, it can be difficult for the appraiser to come up with a value when prices are increasing by double digits in some areas. Both parties need to be prepared for that possibility and how best to deal with the situation if it does occur. Agents need to explain this to sellers when listing their home and establishing a list price."

Rising rates? Not to worry

The Federal Reserve has raised interest rates, which means mortgage rates are going up. Do buyers have cause for concern?

"I bought my first house in Broad Ripple at a 14 percent interest rate in the 1980s," Sobczak said. "When I hear 'rates are going up' and they're in the 4s, that's still great. Historically over the years we've averaged around 5 percent."

Added Fisher, "Yes, this is still an excellent time to purchase while rates remain at these levels. A homebuyer's purchasing power has not been this good in the nearly 30 years I've been selling homes."

Pays to go pro

In a complex market, sellers should consider hiring a full-time, full-service agent who can offer professional advice on updating and staging.

"Sellers should be going to model homes to see what buyers are seeing," Sobczak said. "I'm working with future sellers now who are starting the process and will be ready to list in spring. Buyers should make sure they use an agent even when working with builders to help them make selections and help through inspections. The builders typically pay us out of their marketing budgets, and they like our help and input with selections."

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