

AGENT

7 realities your buyers and sellers should prepare for in 2021

The real estate market boomed last year, as people sought more space, amenities and new jobs that required relocation. But what will 2021 look like? Here's what will likely change — or stay the same — this year



Image by: Canva

BY **CARA AMEER**

Today 2:00 A.M.

2020 is behind us. Thankfully, if you are reading this, you survived. Tragically, not everyone did, and we all know someone who's currently struggling with COVID-19, had it in the past or passed away from it. It's safe to say, the virus changed our lives forever.

locations.

The sheer demand and run-up on existing and new inventory created a market shift — and yet another new normal. So, in light of all that has transpired, what realities do buyers and sellers need to [prepare for in 2021](#)?

1. Low inventory, high demand and multiple offers

A seller's market is likely to continue for the foreseeable future, particularly in suburban and resort areas that offer more space, a lifestyle with an abundance of [outdoor amenities](#), and an environment favorable to fitness and wellness.

People are still on the move, and many who were able to [continue working remotely](#) already decided to hop in the game in the latter part of the year. Given the fast-moving industry and the dramatic rise in prices, a lot of buyers are still in the mix, ready to jump in when the right home becomes available.

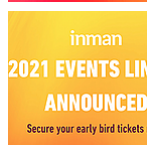
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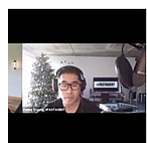
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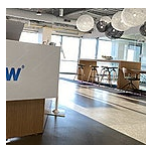
When it comes to being approved for financing, buyers must have all of their [financial ducks in a row](#) — secured down payment funds, along with the appropriate documentation to provide with their offer. They have to be ready

If they're not local to the area where they're looking for a property, they will have to get comfortable with video tours and making an offer [sight unseen](#). As such, buyers will likely not have the luxury of having numerous properties to choose from. They will need to truly adjust their expectations — and agents need to coach them on this new reality.

Buyers need to know that being picky will cost you more money in the long run as you watch the prices go up. That property you initially pass up and wish you had bought? It's probably starting to look like a real bargain now.

[Multiple offers](#) are going to be the new normal, and if escalatory addendums are widely used in your marketplace, educate buyers on how to utilize them to provide a competitive edge. Review [recently sold comparables](#) with buyers to educate them on list-to-sale price ratios. Show them how much properties in the areas they're interested in are actually selling for.

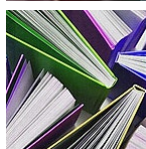
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If [escalatory addendums](#) are not used in your market, buyers need to understand how much they should realistically be prepared to go over asking price. They may need to adjust their price range downward to afford themselves the flexibility of going over a property's asking price with confidence instead of stretching to the top of a budget they're already struggling to afford.

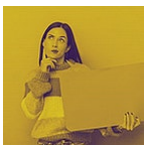
2. The market won't pay top dollar for overpriced or dated homes

This has been said and written about before in a slew of different articles over time, but it bears repeating again. Look at the properties that are still on the market from last year. If they've been sitting there for a least three to four months, something is likely wrong with them. [It could be the price](#), condition or perhaps a functionally obsolete layout.

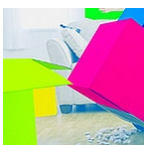
Buyers are not jumping on these homes, and if they'd made an offer when the property was first listed, that was most likely reflective of what the market was willing to really pay for these properties.

There are too many properties today [that have not been updated](#), particularly in key areas that buyers typically care about — from kitchens to bathrooms, and from flooring and structural areas like the roof to HVAC systems. A seller with a property that's sitting on the market needs to be educated on getting real about what it will take to get their property sold.

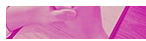
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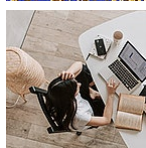
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3. New investor opportunities are overpriced and outdated homes

Given the lack of inventory, foreclosures and “fire sales,” investors with deep pockets and partners (or both) are slowly turning to larger homes that are dated or functionally obsolete. If they’re acquired for the right price, these [properties can be renovated](#) and put back on the market.

The owners of these homes usually aren’t inclined to take on a major overhaul, and cosmetic, Band-Aid fixes aren’t necessarily enough to command top dollar. There are often major layout issues that typically have to be reworked with a renovation.

Rather than dealing with the hassle of finding, hiring and waiting on contractors to show up, buyers will often pay a premium for homes that are new, fixed-up and move-in ready. This is especially true of buyers who are relocating from outside the area or those who are looking for a second-home property that will eventually become a primary residence.

For those in a financial position to do so, if an investor can find these opportunities and do the buyers’ work for them, they can find a profitable venture. This is especially true in more upscale and luxury markets that offer a resort lifestyle, where people can live year-round or go back and forth to somewhere else.

4. Transactions will become increasingly accelerated

longer during the beginning of the pandemic. Addendums were developed for unforeseen delays, in case someone involved in the transaction contracted the virus. Despite those things, however, everyone seemed to figure out how to [make the process faster](#) and more efficient.

The days of showing 20-plus homes have dwindled (at least for the foreseeable future) due to low inventory. Not to mention, COVID-19 created a climate of serious buyers, as opposed to tire kickers and real estate enthusiasts simply going in for a look.

Buyers who used to waste agents' time by looking at several different homes (and always finding a reason not to buy what appeared to be an ideal fit) have likely been priced out and may not be able to get back into the market at all. Things are moving too fast with buyers who are serious, ready and willing to move forward.

For an out-of-town client, buying a home [following a video tour](#) or a live walkthrough is now the new normal. Ditto for area or neighborhood video tours put together by agents for their buyers. The more legwork you can do ahead of time, the better the process becomes for everyone involved.

While the risks of COVID-19 potentially delaying a transaction are real, transactions have become increasingly accelerated. Lenders that can deliver an efficient process — from loan application to a seamless closing — in an accelerated manner and buyers with financial flexibility will have the advantage.

5. Leaseback and post-occupancy after closing

Speaking of flexibility, buyers who are able to offer sellers the ability to stay in their properties after closing for a specified period of time may have an advantage over buyers who are trying to time their closing with their move-in date.

home until they are able to move into their next one. Some sellers might be building a home that won't be ready for a few months. Others might be doing the same as a courtesy for the sellers of the new home they're buying.

In some markets, it's common to see listings offered contingent on the ability of the seller to find a replacement property. Buyers who have the most flexibility with being able to accommodate these kinds of circumstances will stand to be the most successful in buying a home.

6. Appraised values may become increasingly challenging

Due to the significant acceleration in home prices in 2020, there have been some beginning signs of appraisals coming in below contract sales price, particularly where properties are going well over their asking prices.

When it comes to appraisals in 2021, buyers and sellers should be prepared for some potential bumps in the road. As an agent, it's [important to educate buyers](#) that an appraisal is an art, not a science. It's simply one person's opinion of value, and it doesn't mean that it's the market value and the price that a buyer and seller will eventually agree to.

Prepare buyers that the appraisal may no longer be a fail-safe metric that protects them from paying a certain price. [Appraisal contingencies](#) have long been waived in red-hot markets in the past, like in Silicon Valley.

As more markets garner multiple offers, the only way to successfully have the winning offer is to agree to waive the appraisal contingency or negotiate that, should a property not appraise, the buyer will agree to come up with X amount of the asking price — or something to that effect.

This situation doesn't apply universally across the board and may be more prevalent in the move-up price points versus homes that attract first-time

However, the reality is that most buyers are scraping every dollar together to get into a home in the first place, and if the [buyers are first-timers](#), they aren't going to be able to come out of pocket to pay dramatically over contract sales price if the appraisal comes in below that.

7. Overcrowded and overvalued markets

Everyone has been on the move to certain geographic locations over the last few years. Some states like Florida started seeing a run-up of new residents, particularly after the tax reform legislation of 2018.

Some areas have become so expensive and crowded that they may no longer have the same appeal they once had. Traffic, sprawl, overcrowded schools, lack of inventory, [bidding wars](#) and high home prices may leave some buyers feeling priced out and in search of some lesser-known areas to move into.

Markets are always changing year to year and a couple of months within that year. January 2021 appears to be off to a brisk start with homes selling just as fast as they are hitting the market.

That said, in regards to real estate, the beginning of the year could look a lot different from the rest, as more people receive [the COVID-19 vaccine](#). People may start to turn their focus to travel and planning celebrations they weren't able to host before, which could result in some markets cooling down.

Markets that saw a decline in prices may experience an uptick as people seek new opportunities and deals they can't find elsewhere. No matter what may happen, everyone needs to live somewhere — and there will always be people seeking a home to buy in 2021.

While they may not be seeking an escape from their current geographic location, they'll likely be looking for opportunities to put down some roots, build equity and appreciation or simply retool their lifestyle. At a certain