

# Enkasa 2022 Buyer Guide

Alamo, Danville, Lafayette, Moraga, Orinda, Pleasant Hill, Walnut Creek



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# SUMMARY

With the ink still drying on what was a record year in the national housing market, we have no choice but to quickly regroup and buckle up for a just as wild and crazy 2022! The pandemic has driven a home buying frenzy due to rock bottom interest rates and shifting workplace dynamics, bringing millennial buyers off of the homeownership sidelines and firmly into the buying mix.

As we prepare our clients who are looking to buy this year, we want to share our insights on how to best prepare for success in what will be another fiercely competitive housing market.

## What you'll find over the next few pages:

- **Getting Organized**

Understand what you can afford with total cost of ownership and effects of rising interest rates, insights on pre-approval & lender selection, and home wish list tips & tricks

- **Home Assessment Primer**

Fine tuning your home assessment skills so that you can evaluate homes like a pro

- **Timing The Market**

Everything you need to know about market seasonality so you can be prepped and ready to write that offer!

- **Navigating The Disclosure Packet**

Our quick tips to dive in to the disclosure packet with confidence and what to look for within seller and inspection disclosures

- **Bid & Offer Strategy**

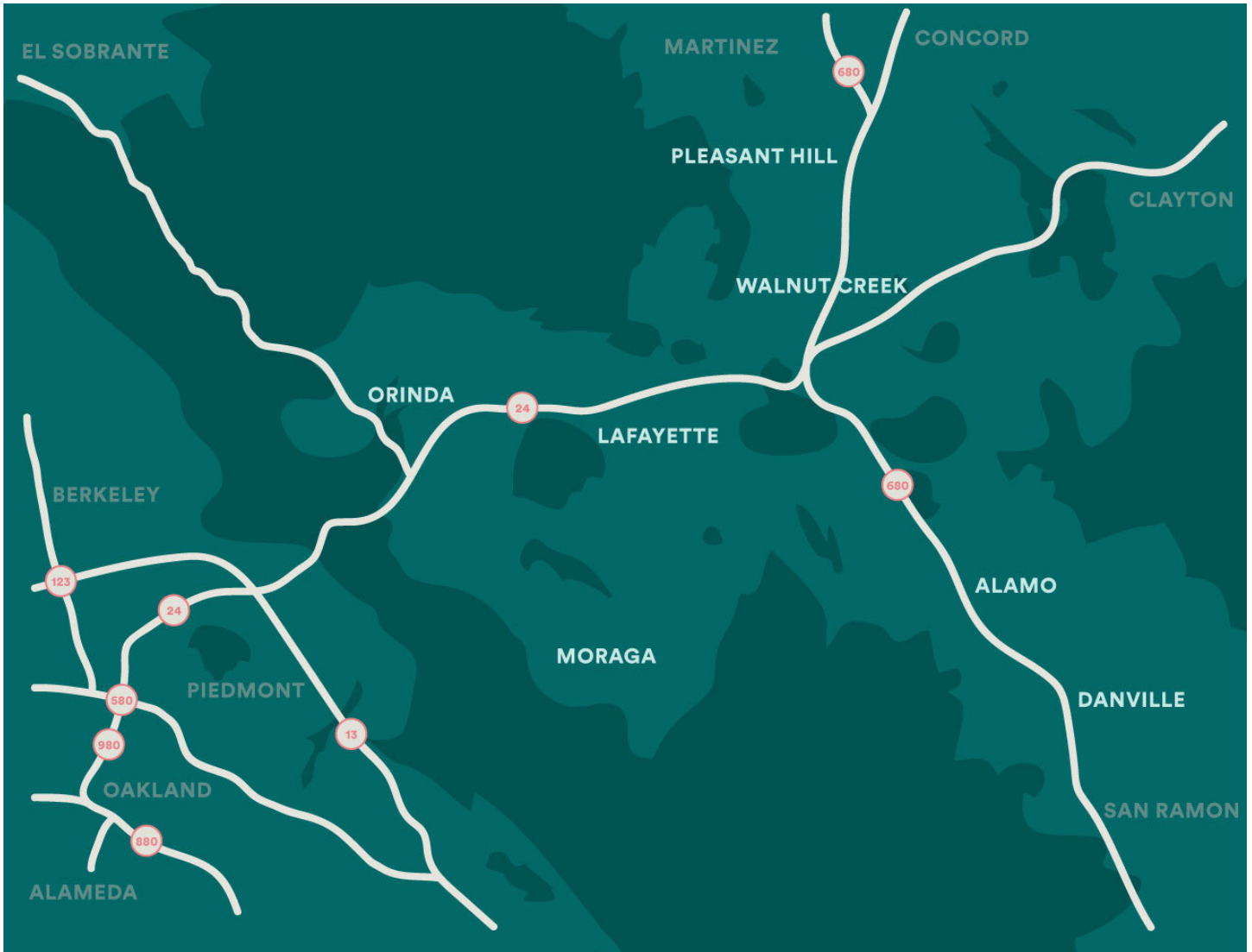
Understanding buyer competitive dynamics, and using expected offers to inform your bid approach

We hope our guide gives you a head start and a leg up on your competition this year. Any questions? Please reach out. Know that Enkasa has you covered!

**Cheers!**

**The Enkasa Team**

# THE MARKET



\*markets in bold represent Enkasa covered East Bay markets

## 2021 Median Market Metrics

	<b>Alamo</b>	<b>Danville</b>	<b>Lafayette</b>	<b>Moraga</b>	<b>Orinda</b>	<b>Pleasant Hill</b>	<b>Walnut Creek</b>
<b>Total Homes Sold</b>	<b>300</b>	<b>981</b>	<b>417</b>	<b>184</b>	<b>373</b>	<b>420</b>	<b>783</b>
Sold Price	\$2,494,000	\$1,910,000	\$1,917,703	\$1,860,500	\$1,950,000	\$1,055,000	\$1,460,000
Price/Sqft	\$739	\$694	\$810	\$773	\$793	\$638	\$708
Sold to List %	104	109	106	107	107	107	108
Days on Market	6	6	7	7	8	8	8

Source: CCAR MLS 2021 - all sales are reported as median

## Key Trends to Look Out for in 2022<sup>1</sup>

- **Mortgage Rates:** Experts predict rates will rise from around 3% to 3.6% by end of 2022
- **Prices:** The fast pace of rising housing prices we saw in 2021 (+20%) will likely slow (+6% to +10%)

<sup>1</sup> [MarketWatch: What to expect in the 2022 Real Estate Market](#)

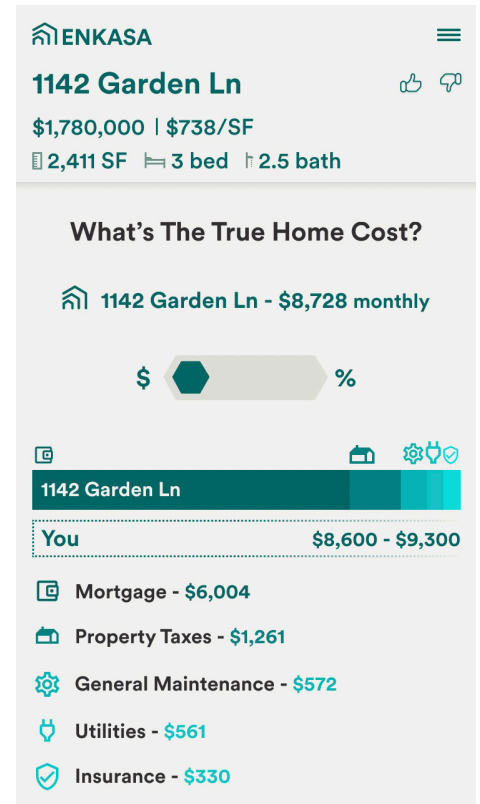
# Step 1 - Getting Organized

## ● Affordability & Total Cost of Ownership

When determining your budget, often buyers only factor in their expected monthly mortgage. However, it's important to have a sense of all ancillary ownership costs. Alongside your mortgage, these make up your **Total Cost of Ownership**.

Total cost of Ownership factors in other recurring costs like taxes, homeowners insurance, other types of insurance (fire/ earthquake), and expected utilities and maintenance. **Often times these 'hidden costs' can make up nearly a third of your monthly expenditures!**

Ask your agent for their recommended expected ownership cost calculator (or reach out to us!), as you are getting prepared for your home purchase. Completing this initial first step will allow you to go into the home buying process with eyes wide open and a holistic understanding of how much you can afford.



## ● Pre-Approval & Lender Selection

Unless you're paying for the purchase of your home with 100% cash (lucky you!), you're going to need a loan.

In the Bay Area, qualified offers on homes must come accompanied with the buyer's pre-approval letter which lets the seller know that a buyer has secured financing to purchase a home. There are several different lending options from traditional banks, specialized mortgage lending companies, to online lenders like Rocket Mortgage.

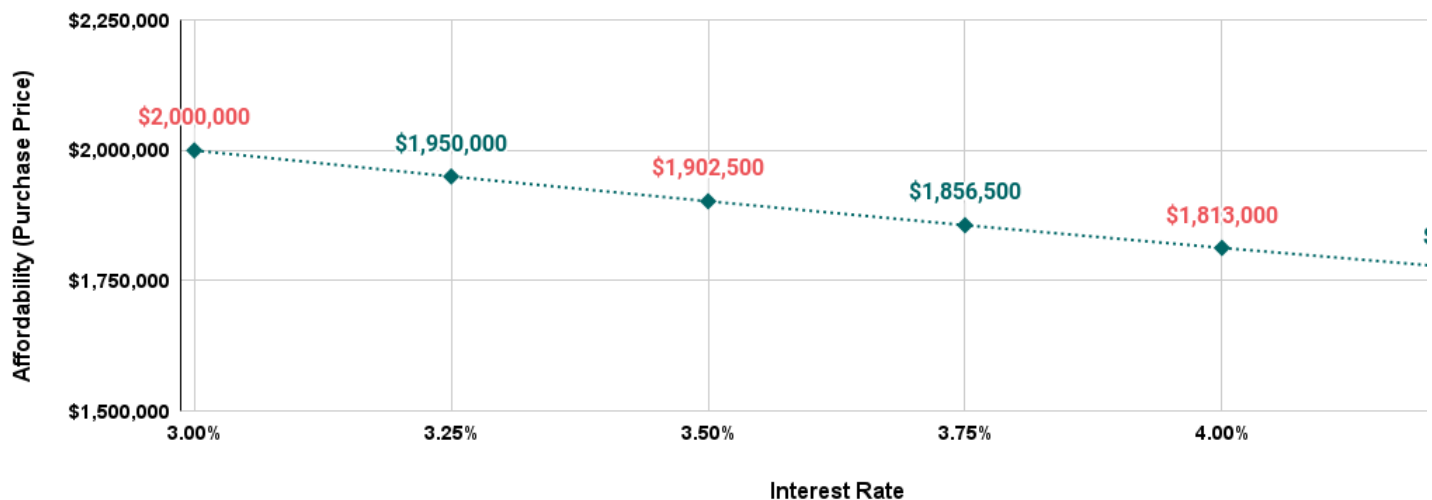
We've summarized some commonly preferred lenders that underwrite mortgages in the East Bay market to give you a high level sense of which might be best for you:

<b>Wells Fargo Home Mortgage</b>	Trusted, nationally recognized lender, with strong reputation for working with a wide variety of lending options and customer profiles
<b>First Republic Bank</b>	Prominent regional bank with roots in the Bay Area; high touch client service approach; typically requires clients to purchase with 25% down (versus traditional 20%)
<b>RPM Mortgage</b>	Retail only lender, known for working with a high percentage of first time home buyers and considered a disruptor in the home mortgage space
<b>Nest Mortgage</b>	Independent mortgage banking firm that offer several different types of lending options from Fixed Rate, Jumbos, to FHA and VA, to renovation and vacation home loans

Depending on the lender, the diligence and pre-approval process can take anywhere from several days to a few weeks, **so we always recommend our buyers initiate the pre-approval process as soon as possible.**

## • Understanding Interest Rates & Purchase Power

Purchase Power & Interest Rates Dynamics



\*Assumes 20% down and fixed mortgage payment regardless of interest rate

Interest rates are expected to go up in 2022 and understanding how their increase might impact your overall budget is important.

Let's assume your current affordability is \$2M with 20% down at a 3% interest rate. If rates go up as much as +0.5%, that could **reduce your purchasing power by -\$100K**. If they go up a full percentage point it could **reduce your affordability by -\$187K!** **Generally a 1% increase in interest rates, translates to -9.5% decline in purchase power.** Simply put, you're always better off with a lower rate, but it's helpful to know how your purchase dynamics may change as interest rates move.

## • Locking In Your Wish List

This may sound obvious, but in setting up your plan it's imperative that you write down the things that are most important to you in your desired home. We always encourage our clients to get specific! Beyond the standard attributes like size, bedrooms and bathrooms, think through the things that align with your lifestyle expectations:

**My target city is \_\_\_\_\_**

Lafayette

Moraga

Orinda

Load More...

**I prioritize \_\_\_\_\_ (select one)**

no road noise

walkability

safety

privacy

uniqueness

Load more...

**My ideal neighborhood, ranked in order is \_\_\_\_\_**

1. Campolindo

2. Reliez Valley

3. Lafayette Hills

Load More...

**I would be ok with living in an alternate neighborhood if \_\_\_\_\_ (select one)**

better schools

walkability

closer to trails

a special street

Load more...

If you're buying with a spouse or partner, compare your wish list with theirs and see where it is similar and different. Identify the items that you are willing to compromise on and those items that are non-negotiables. Here are some other wish list attributes to keep in mind:

- On Flat Land or Has A View
- Traditional Layout or Open Concept
- Fixer Upper or Move-In Ready
- Amenities in Neighborhood (Entertainment, Recreation, Lifestyle, Culinary)
- Expansion Potential: Add-On, Pool, ADU

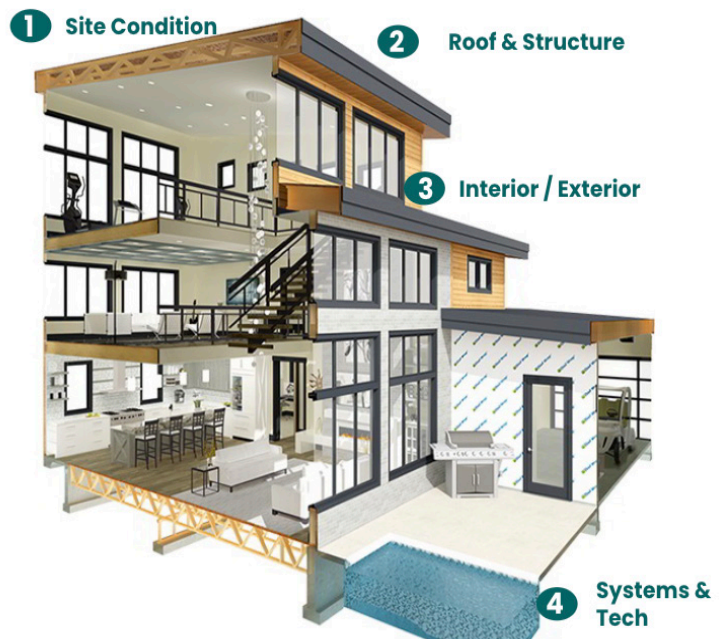
**Share the list with your agent, and most importantly refer back to it when you're evaluating homes as they come on the market!**

# Step 2 - Assessing Homes Like A Pro

Evaluating the condition of a home is an art and a science. Well-informed buyers can give themselves a leg up by knowing where to look for the trouble spots and can avoid potential high risk scenarios when knowing what questions to ask during the diligence process.

When evaluating homes on behalf of our clients, we categorize our assessment into four areas critical to a well-functioning home.

Included below are each category with items to look out for as you are going through the diligence process.



## Site Condition



- **Grading:** Sloping in the front of the home from the street; sloping in the surrounding area
- **Drainage:** Excessive debris or rusting in the gutters and downspouts
- **Driveway:** Cracks, lifting, crumbling, or damaged asphalt on the driveway

## Roof & Structure



- **Foundation:** Inquire about whether the home is on a slab or raised foundation
- **Structure:** Look for floors not feeling level, doors not closing properly, or cracks in walls - especially over doorways and windows
- **Roof:** Major discoloration or bare spots on shingles, multiple layering of roofing

## Interior & Exteriors



- **Windows:** Signs of staining or rust, discoloration on walls or ceilings
- **Doors:** Check if solid or hollow; gap underneath should not be more than 1"
- **Flow:** Is living space large enough / positioned properly; verify if the bedrooms are sized proportionally with size of house and living space

## Systems & Technology



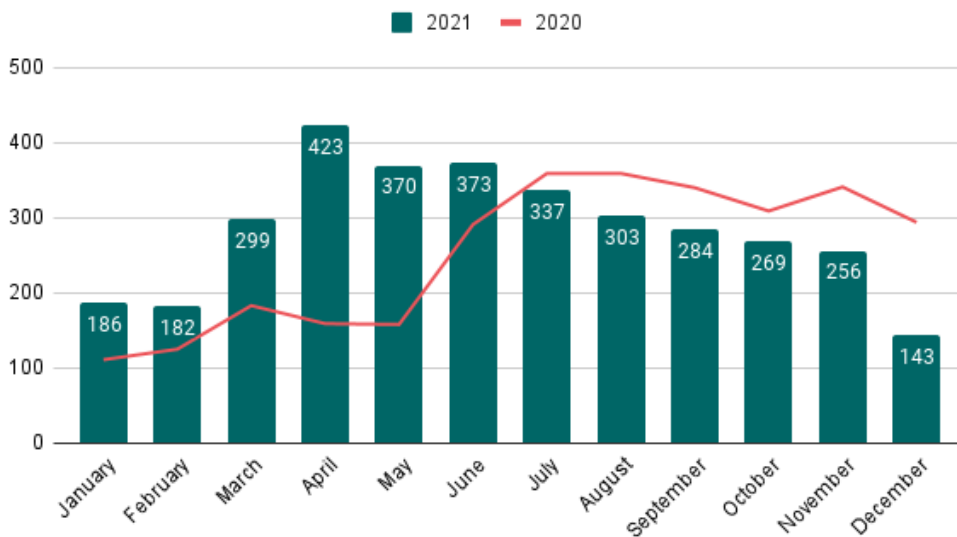
- **HVAC:** Check heater/furnace gas connection points and exhaust systems
- **Solar/Smart Tech:** Presence of EV Chargers; if solar panels are present inquire if home is sustainable on solar

# Step 3 - Timing The Market

## ● Getting Familiar with Seasonality & Inventory Activity

We have officially entered what we like to call an impatient market - it waits for no one. In typical years the lion's share of home sales take place between April 1 and August 30, however 2021 proved that buyers are eager and willing regardless of the time of year. In 2022, we expect trends to follow 2021 with plenty of opportunity to get in before the spring and summer rush.

2021 Sales Volume: Alamo, Danville, Lafayette, Moraga, Orinda, Pleasant Hill, Walnut Creek



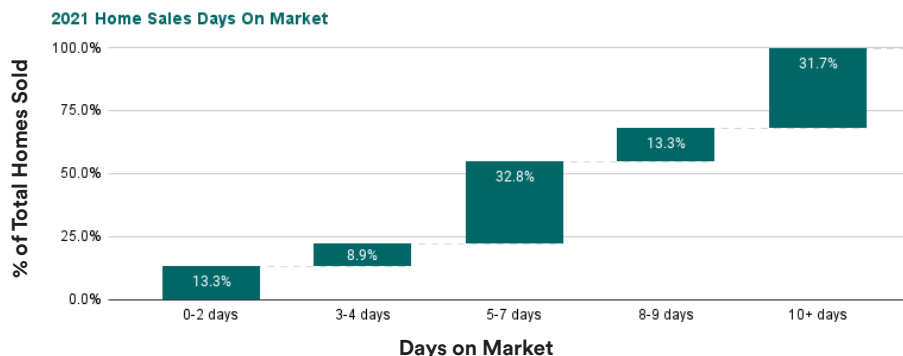
### 2021 % of Volume:

- Jan/Feb (11%)
- March - July (52%)
- August - Nov (33%)
- December (4%)

If you have your sights set on 2022, our guidance is to be ready as early in the calendar year as possible.

## ● Acting Quickly

Houses are flying off the shelves...well, not literally but you know what we mean. Over half (55%) of homes sold in 2021 in our covered East Bay markets sold within 7 days and 2/3 of homes sold in 10 days or less. Buyers don't have the luxury of time in this market so we recommend the following tips to allow yourself to pull together a confident, strong, and winning offer on your next home:



- Get a Feel for Your Target Neighborhoods
- Use Open Houses to Your Advantage
- If it feels Right, Write!



# Step 4 - Navigating Disclosures

You've found a house you love, it seems like it checks most of your boxes, but how do you know if what you're seeing is what you're getting? The disclosure packet helps you uncover some of the key aspects of a home that lie beneath and above those walls and floors - it's designed to give buyers all the relevant information about a home that they may not be able to see with the naked eye.



It can be difficult (and often overwhelming) to sift through many of the disclosure materials. In addition to reviewing

the standard disclosures required by the State of California, buyers should get familiar with **Seller and Inspection disclosures** in order to obtain a holistic picture on the condition of the home.

**To get you started we've provided a summary of the key materials within each of these areas so that you are primed on what to look for as you read through your next disclosure packet:**

## Seller Disclosures

<b>Agent Visual Inspection</b>	Detailed visual condition of home drafted by the listing agent
<b>Transfer Disclosure Statement (TDS)</b>	A comprehensive list of questions pertaining to the characteristics and condition of the home
<b>Seller Property Questionnaire (SPQ)</b>	A drilling down into more specifics information (history, repairs, other notable aspects) regarding the home
<b>Non-Exempt Seller Disclosure</b>	Provided in the scenario of a Trustee or Estate sale in which the trustee was not an inhabitant of the home. Does not normally include detailed information about the home.

## Inspection Disclosures

<b>Preliminary Title Report</b>	Provides the legal description of the property, property taxes, and mortgage liens. It notes if there are any encroachments or easements on the property
<b>General Home</b>	Comprehensive overview of general home condition
<b>Pest</b>	Typically focuses on dry rot, termites, fungus, mold, and any other Section 1 items
<b>Roof</b>	Summary of roof condition and recommended repairs
<b>Sewer</b>	Condition of the sewer from the house to the sewer main connection
<b>Foundation &amp; Drainage</b>	Usually required for homes on a slope; drainage can be a major issue in CA

\*The information stated above highlights the importance of a Disclosure Package. We encourage Buyers to read and understand every document that is provided to them\*

# Step 5 - Dialing In Your Offer Strategy

## ● Getting A Feel For Your Competition

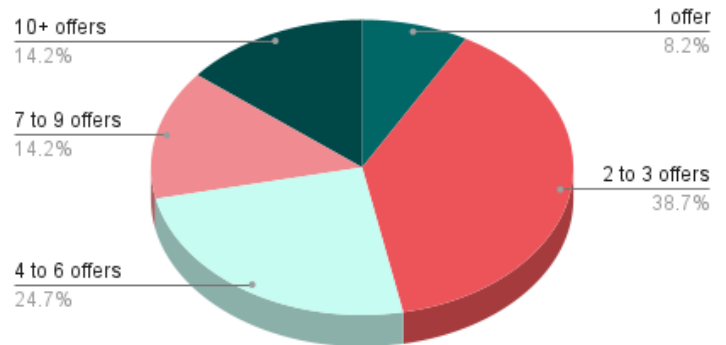
Where there was data reported\*, 63% of homes sold in 2021 received anywhere between 2 and 6 offers; 28% of homes received 7 or more.

There's a really good chance that the offer you put in on a home will have a competing offer. Typically in a multiple offer situation it is up to the seller's discretion to decide who they want to counter-offer. This is why opening offer strategy is critical - you at least want to give yourself a shot at getting invited to counter.

We suggest the following tips to allow for your best shot at a winning bid:

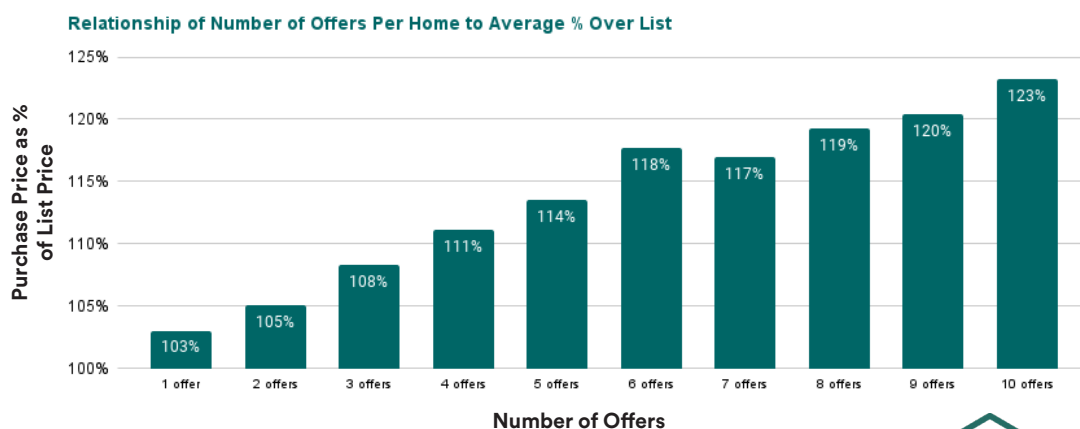
- Ask Your Agent for the Expected Offer Count
- Always Prioritize a Strong Opening Offer vs. Leaving Room to Counter
- In a Counter Scenario, Determine Your Walk-Away price and Bid at or Near There

% of 2021 Homes Sold Based on Number of Offers



## ● Using The Offer Count to Inform Bid Strategy

The number of expected offers can serve as a proxy for how aggressive you should bid on a home. Generally, the more offers, the higher the price, **however on average the percentage sold over list increases anywhere between +2-4% with each incremental bidder.** See our graph below and be sure to take in this directional insight into account when determining where you are planning to place your opening offer.



# OUR TEAM

Enkasa is a full service brokerage that brings real estate, construction, and design expertise coupled with unique digital tools to help you evaluate properties, stay one step ahead of the competition, and improve your home post-purchase.



We're a team of Lamorinda based agents, designers, and contractors who bring a 1:1 approach to every client engagement and a unique perspective to deliver untapped potential into every home. Our team is your team, and we're here to help you get the most out of your home.

**Reach out to us, we'd love to chat!**

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