By Carl Medford, CRS

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You'd think that with record low prices and mortgage rates, this would be the perfect time for existing homeowners to sell their current home and move on up. After all, it's better to trade up when prices are lower because the spread (difference between selling price of the old and purchase price of the new) is less.

Think all you want. You'd be wrong.

Normally, move-up buyers make up a significant percentage of the housing market. If you've being following this column, you'll know that the market is anything but normal — it's a blistering hot seller's market where decent homes are typically snapped up within a week with multiple offers. Consequently, prices are pounding upwards.

Even though it makes more sense to sell your existing digs and move on up the housing ladder now, a huge obstacle is facing move-up wannabes.

Lack of inventory to purchase.

It's a catch 22: rising housing prices have moved many sellers previously under water back into an equity position. Suddenly free to sell their homes, many have been contacting Realtors, setting up listing appointments and starting to check out replacement properties — only to discover that there really aren't any. And the homes that *do* exist are on and off the market so fast it's almost impossible to catch one.

There's another problem as well: the standard mechanism for move-up buyers is a contingent sale. There are two scenarios: (1) put an offer on a replacement home "contingent" on selling an existing home or (2) put an existing home on the market "contingent" on finding a replacement home in a specific number of days.

In a market such as this, the potential of getting a seller to agree to the first scenario is basically non-existent. The second scenario is a bit more probable, but potential sellers have found that they frequently cannot find a new home in the limited number of days specified in the contract.

In reality, the only viable alternative is to move into temporary housing, sell your existing home and then look for a replacement. This scenario involves moving a few times and comes with no guarantee that once you've sold your existing property, you'll be able to buy a new one anytime soon. It's a risk many owners are unwilling to take, and therefore many potential listings the market desperately needs… will not see the light of day anytime soon.

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