Things To Consider When
Buying a Home

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EDITION

COLDWELL BANKER REALTY

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What's Happening in the Housing Market?

You're probably wondering what recent changes in the housing market mean for your homebuying plans this summer. Here are the top three things to keep in mind.

1. The Supply of Homes for Sale Is Still Low

The number of homes for sale this year is still low. Housing inventory is measured by the number of available homes on the market. It's also measured by months' supply, meaning the number of months it would take to sell all those available homes based on current demand. In a balanced market, there's usually about a six-month supply – and today, we only have about half of that. With inventory that low, buyer competition is ticking back up, meaning multiple offers are returning on a good number of properties. Partnering with a professional can help you be competitive in a market like the one we have today.

2. Mortgage Rates Are Less Volatile Than Last Year

Last year, mortgage rates more than doubled within the calendar year. That's never happened before, and the rapid rise caused many buyers to put their plans on hold. This year, however, many buyers are reentering the market as rates have settled a bit in roughly the 6% to 7% range.

No one knows for sure where rates will go from here, but experts say they may drop some if inflation continues to cool. Any drop boosts your purchasing power by bringing down your expected monthly mortgage payment. Even a change as small as 0.25% can have a big impact on what you'll pay for your home.

3. The Worst Home Price Declines Are Behind Us

Headlines about home prices can be confusing. Home price appreciation has cooled from its peak last summer.

However, prices vary by area. And if you've been waiting for prices in your area to come down, you should know the shortage of homes available is going to keep upward pressure on prices. In fact, we've seen prices starting to rise again, indicating the worst home price declines are behind us. Andy Walden, VP of Enterprise Research at *Black Knight*, says this about home price trends:

> *"Just five months ago, prices were declining on a seasonally adjusted month-over-month basis in 92% of all major U.S. markets.* ***Fast forward to March, and the situation has done a literal 180, with prices now rising in 92% of markets from February.****"*

So, if you find the home that's right for you, waiting for a price drop isn't the best strategy.

Bottom Line

If you're ready to buy this summer, don't let market uncertainty delay your plans.

Let's connect so you have an expert on your side to answer all your housing market questions. Together, we'll review your goals and what's happening in our market, so you have the information you need to make a powerful and confident decision.

If inflation pressures ease and we see a meaningful pullback in mortgage rates, this will ease some of the strain on buyers . . .

- Greg McBride, Chief Financial Analyst, *Bankrate*

Why Buying a Home May Make More Sense Than Renting

If you're trying to decide whether to rent or buy a home, consider this:

Buying a Home Can Help You Escape the Cycle of Rising Rents.

Rents have risen consistently for several decades.

When your rent rises, you pay more, and that can make saving for a home even harder.

Average Household Net Worth

Homeownership Is a Powerful Wealth-Building Tool.

When you own, you gain equity as home values appreciate and as you make your monthly payments.

That's one of the reasons why homeowners have a higher net worth.

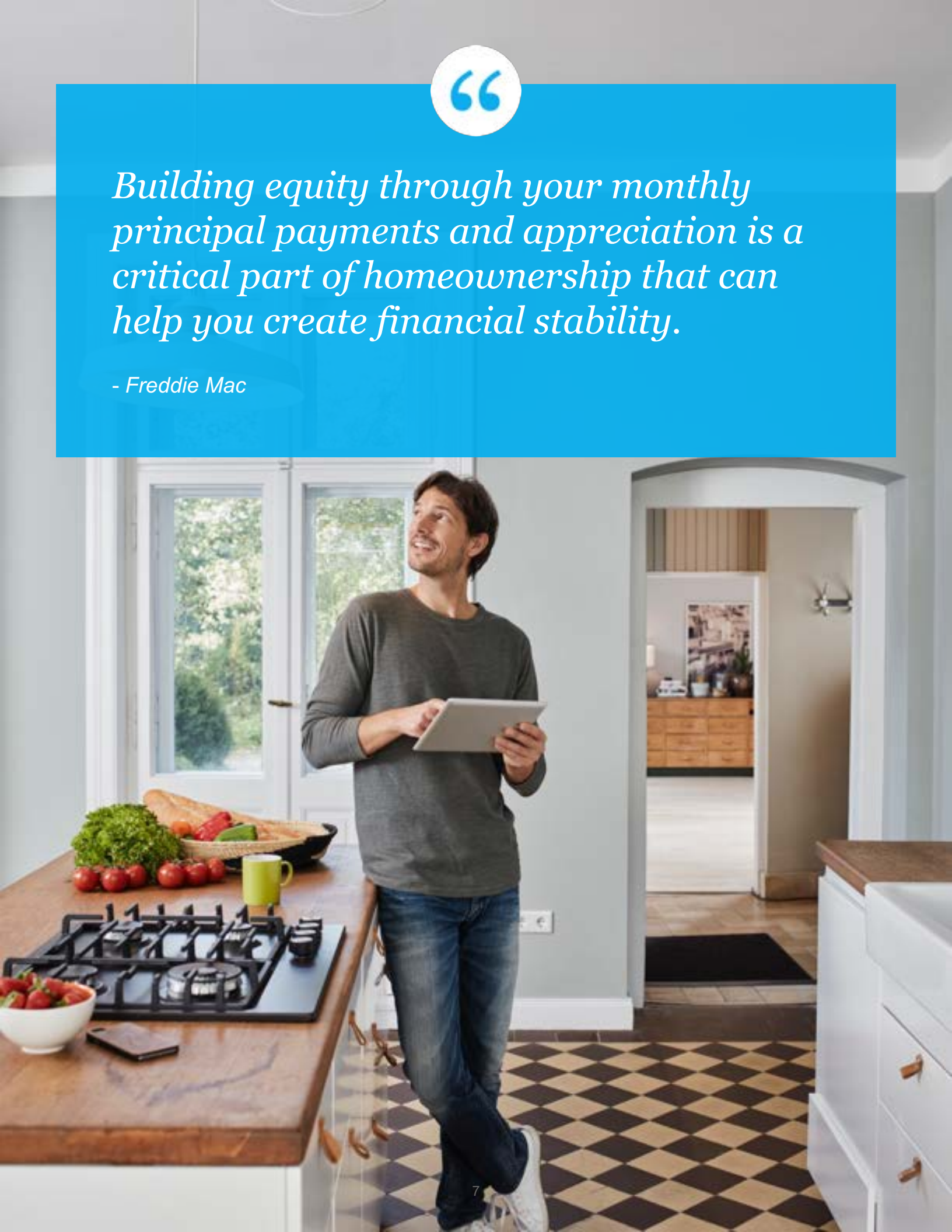
Homeownership Is Typically Considered a Good Hedge Against Inflation.

With inflation high, landlords may be even more likely to increase your rent.

Homeowners with a fixed-rate mortgage can lock in a predictable monthly payment for 15-30 years.

73% of property managers plan to raise rents over the next two years.

Sources: Census, Federal Reserve, Buildium



Building equity through your monthly principal payments and appreciation is a critical part of homeownership that can help you create financial stability.

- Freddie Mac

The 3 Factors Affecting Home Affordability Today

The dramatic increase in mortgage rates last year led many buyers to put their plans on hold. However, affordability is impacted by more than just mortgage rates. To understand affordability, you have to look at three factors.

1. Mortgage Rates

While mortgage rates are higher than they were a year ago, they've hovered primarily between 6% and 7% this year. Within that range, rates have bounced around a lot, but where will they go from here? Mortgage rates are hard to project, but many experts agree they'll start to come down by the end of the year if inflation continues to cool. No one can know for sure what'll happen next, so trying to time the market, especially mortgage rates is difficult. This makes it extra important to lean on your team of real estate professionals to stay up to date on what's happening.

2. Home Prices

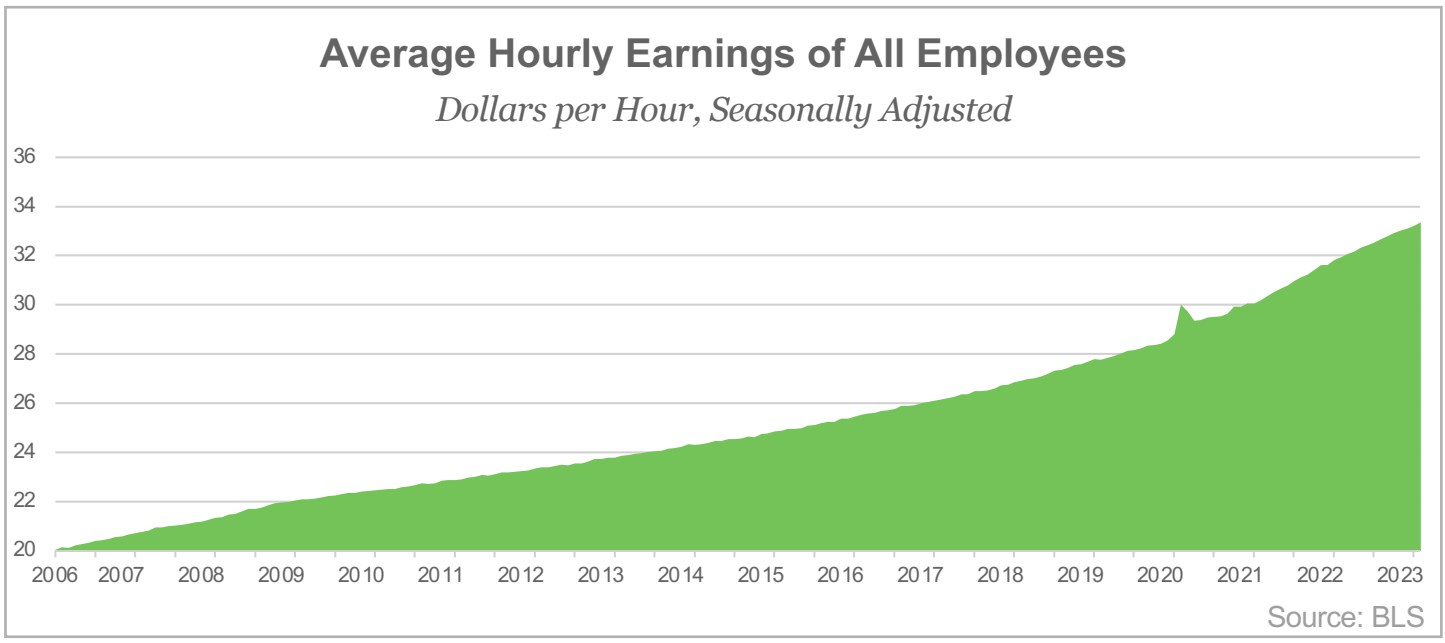
Over the past few years, home prices appreciated rapidly as the record-low mortgage rates we saw during the pandemic led to a surge in buyer demand. The heightened buyer demand happened while the supply of homes for sale was at record lows, and that imbalance put upward pressure on home prices. And today, we still have more buyers in the market than homes available for sale.

But, home price appreciation varies by market. Some areas are seeing slight declines while others have prices that are climbing. As Selma Hepp, Chief Economist at *CoreLogic*, explains:

> *"The divergence in home price changes across the U.S. reflects a tale of two housing markets. Declines in the West are due to the tech industry slowdown and a severe lack of affordability after decades of undersupply. The consistent gains in the Southeast and South reflect strong job markets, in-migration patterns and relative affordability due to new home construction."*

3. Wages

The most positive factor in affordability right now is rising income. The graph below uses data from the *Bureau of Labor Statistics* (BLS) to show how wages have grown over time:



Higher wages improve affordability because they reduce the percentage of your income it takes to pay your mortgage since you don't have to put as much of your paycheck toward your monthly housing cost.

Bottom Line

It's important to know that your ability to afford a home comes down to more than just mortgage rates and home prices. If you're thinking about buying a home, let's go over your budget and explore affordable options in our area.

The soaring housing market has finally come back down in much of the U.S., at least for now, while worker pay is growing. That's produced some benefits for home seekers in the form of slightly better affordability . . . the scenario is becoming more favorable for buyers.

- Rob Barber, CEO, *ATTOM*

Ways To Overcome Affordability Challenges in Today's Housing Market

Expand Your Search Area

With so few homes on the market right now, **widening the scope of your search** to include nearby areas could help you find more options in your budget.

Consider Alternative Financing Options

> *In response to the increasing mortgage interest rates, financial service providers are marketing alternative financing options that may offer* ***opportunities for consumers to access lower rates in this relatively high interest rate environment.***
>
> Consumer Financial Protection Bureau (CFPB)

Search for Down Payment Assistance

There are more than 2,000 down payment assistance programs in the United States. If you're interested in learning more, information is available through sites like Down Payment Resource.

Sources: Consumer Financial Protection Bureau, Down Payment Resource

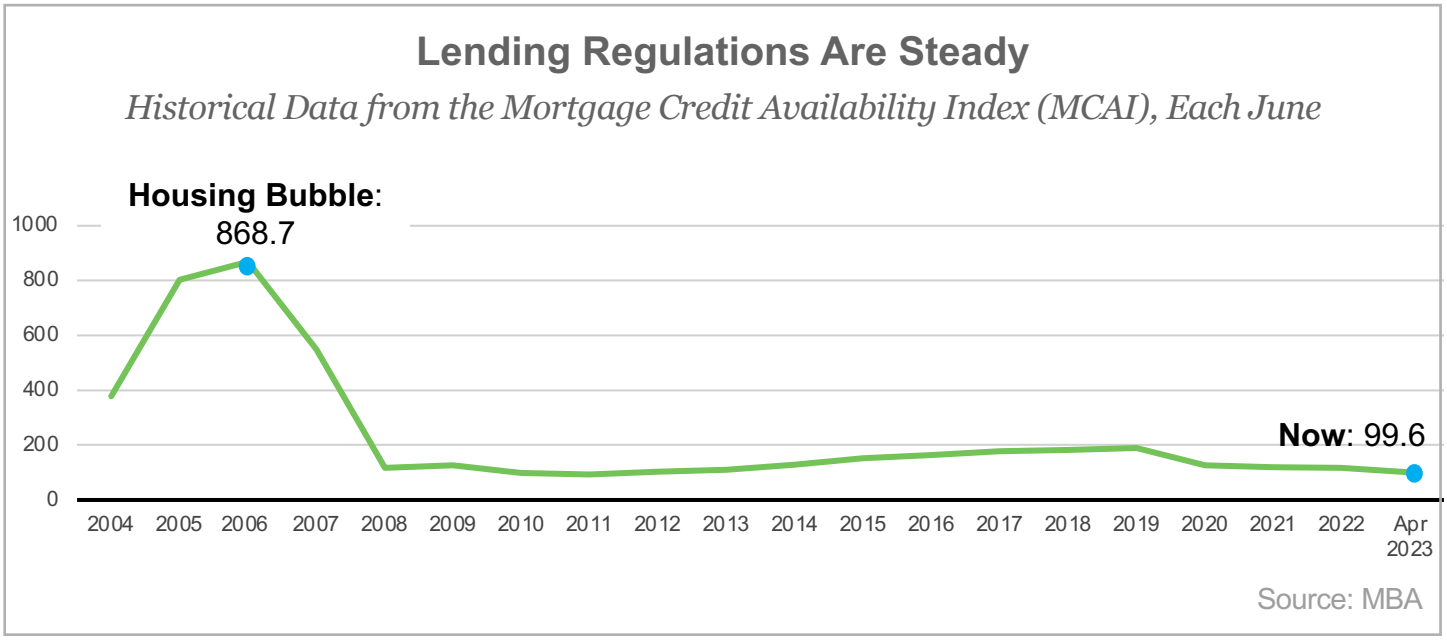
Why Today's Housing Market Is Not About To Crash

There's been some concern lately that the housing market is headed for a crash. The data clearly shows today's market is very different than it was before the housing crash in 2008. Here's why.

It's Harder To Get a Loan Now

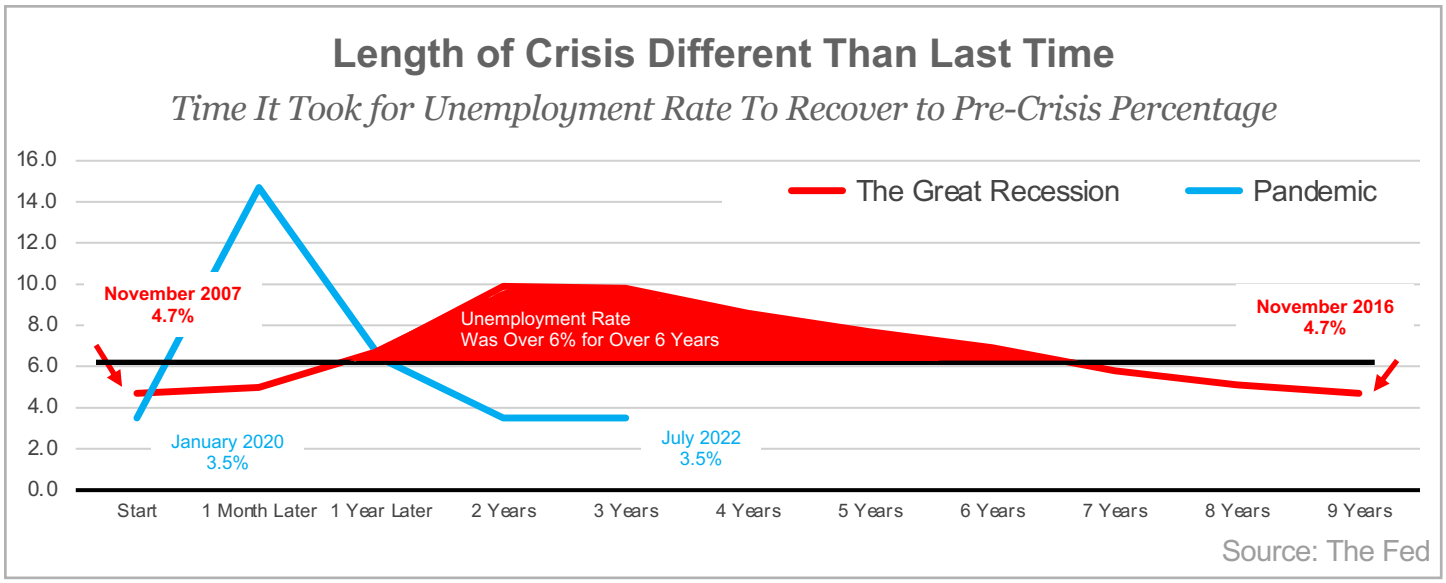
It was much easier to get a home loan during the lead-up to the 2008 housing crisis than it is today. Back then, banks had different lending standards, making it easy for just about anyone to qualify for a home loan or refinance an existing one. As a result, lending institutions took on much greater risk in both the person and the mortgage products offered. That led to mass defaults, foreclosures, and falling prices.

Things are different today as purchasers face increasingly higher standards from mortgage companies. The graph below uses data from the *Mortgage Bankers Association* (MBA) to show this difference. The lower the number, the harder it is to get a mortgage. The higher the number, the easier it is.



Unemployment Recovered Faster This Time

While the pandemic caused unemployment to spike over the last couple of years, the jobless rate has already recovered back to pre-pandemic levels (*see the blue line in the graph below*). Things were different during the Great Recession as a large number of people stayed unemployed for a much longer period of time (*see the red in the graph below*):

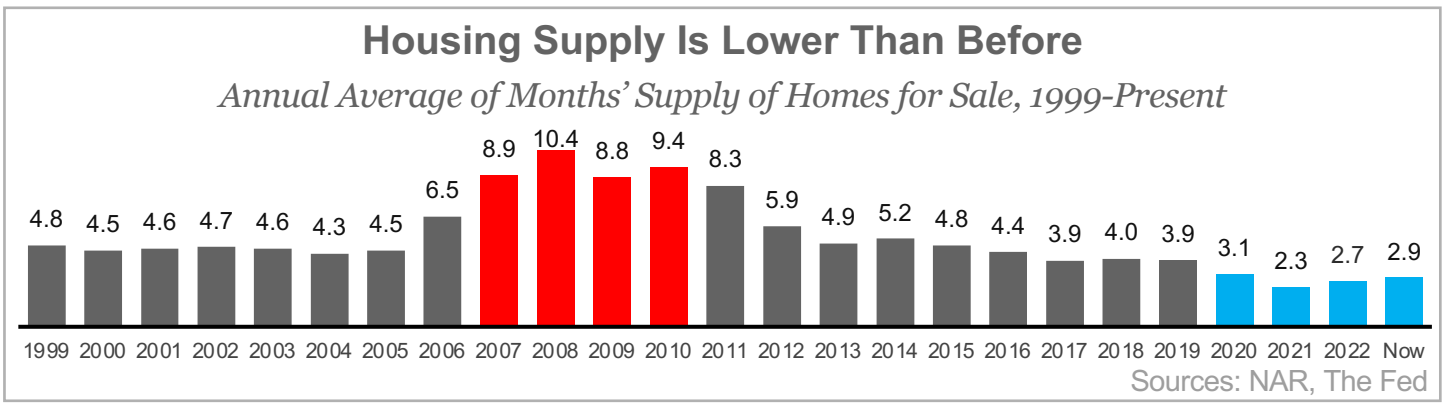


Here's how the quick job recovery this time helps the housing market. Because so many people are employed today, there's less risk of homeowners facing hardship and defaulting on their loans. This helps put today's housing market on stronger footing and reduces the risk of more foreclosures coming onto the market.

There Are Far Fewer Homes for Sale Today

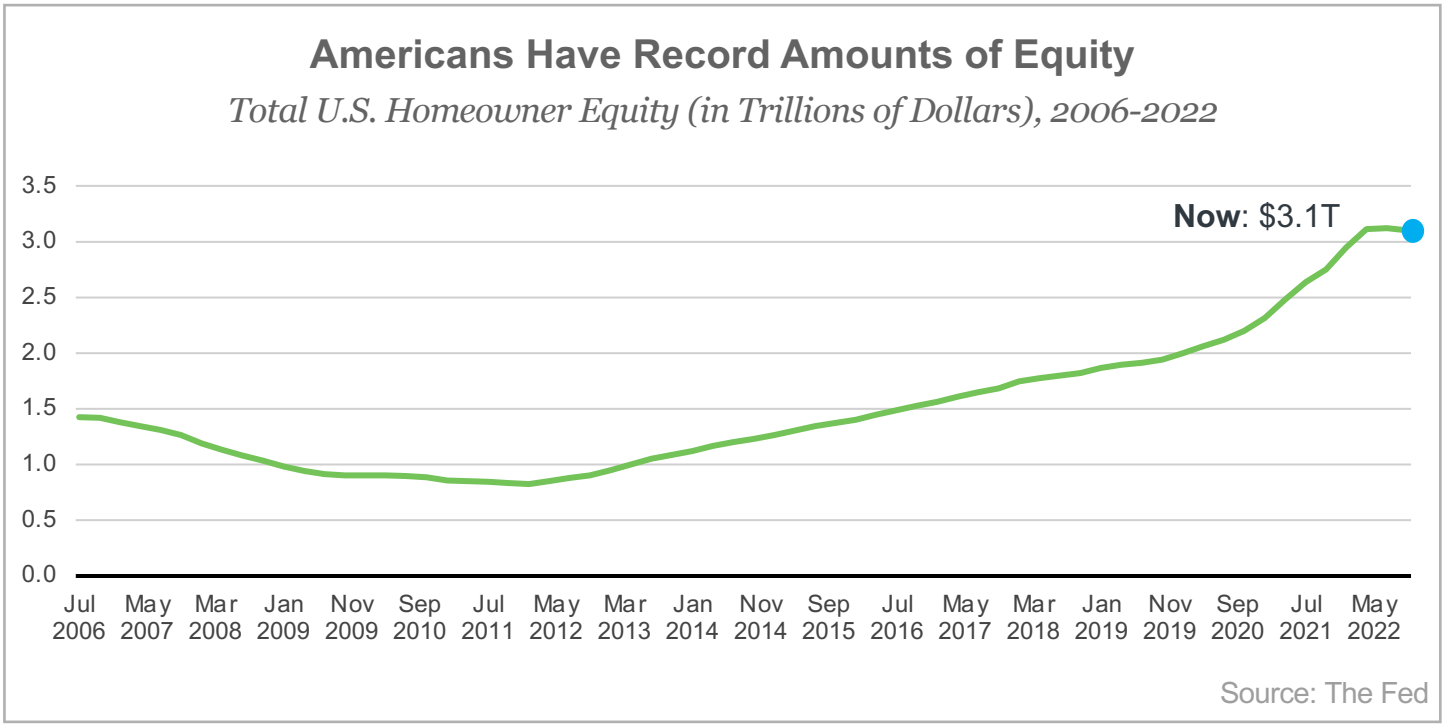
There were also too many homes for sale during the housing crisis (many of which were short sales and foreclosures), and that caused prices to fall dramatically. Today, there's a shortage of inventory available overall, primarily due to years of underbuilding homes.

The graph below uses data from the *National Association of Realtors* (NAR) and the *Federal Reserve* to show how the months' supply of homes available now compares to the crash. Today, unsold inventory sits at just a 2.9-months' supply. There just isn't enough inventory on the market for home prices to come crashing down like they did in 2008.



Equity Levels Are Near Record Highs

That low inventory of homes for sale helped keep upward pressure on home prices over the course of the pandemic. As a result, homeowners today have near-record amounts of equity (*see graph below*):



And, that equity puts them in a much stronger position compared to the Great Recession. Molly Boesel, Principal Economist at *CoreLogic*, explains:

> *"Most homeowners are well positioned to weather a shallow recession. More than a decade of home price increases has given homeowners record amounts of equity, which protects them from foreclosure should they fall behind on their mortgage payments."*

Bottom Line

If you've been waiting to buy because you've been worried today's housing market is headed for a crash, the graphs above should ease any fears you may have. The most current data clearly shows that today's market isn't like it was in 2008.

Top Reasons To Own Your Home

Accomplishment

Feeling a sense of achievement and pride

Loved Ones

Prioritizing the needs of those closest to you

Stability

Locking in your monthly housing payment with a fixed-rate mortgage

Financial Investment

Growing your assets and net worth

Comfort

Enjoying features that enhance your lifestyle

Privacy

Having a space that's your own

Personal Expression

Tailoring your home to your unique style

Community

Being a part of a broader social group

If you're ready to buy a home, let's get the process started today.

4 Tips for Making Your Best Offer on a Home

Since there are more buyers in the market than there are homes for sale, the number of homes receiving multiple offers is on the rise. So, when you find the home you want to buy, remember these four tips to make your best offer.

1. Lean on a Real Estate Professional

Agents are local market experts. They know what's worked for other buyers in your area and what sellers may be looking for in an offer. It may seem simple, but catering to what a seller needs can help your offer stand out.

2. Know Your Budget

Understanding your budget is especially important right now. As Sandy Higgins, Senior Wealth Advisor at *Capstone Financial Advisors*, puts it:

> *"Understand your current budget … what are your expenses, how's your spending, would you need to make changes?"*

The best way to understand your numbers is to work with a lender so you can get pre-approved for a loan. It helps you be more financially confident, and it shows sellers you're serious. That can give you a competitive edge.

3. Think Through Everything Before Making an Offer

Today's market isn't moving at the record pace it did during the pandemic. That means you may have a bit more time to think before you need to make an offer. While it's still important to stay on top of the market and be prepared to move quickly, there can be more flexibility today.

4. Work with Your Advisor To Negotiate

During the pandemic, some buyers skipped home inspections in order to submit the winning bid on a home. But skipping the home inspection is a risky move. The inspection is an important part of your purchase. Home inspections help give you a picture of the condition of the home and what repairs it may need. The inspection findings can also be a negotiation tool for you.

If it does turn up anything big, you should lean on your agent to help you negotiate with the seller on any potential repairs. Resist the urge to waive the inspection to try and make your offer more appealing to sellers.

Bottom Line

When you buy a home this summer, let's work together to make sure you put your best offer forward.

The Power of Pre-Approval

One of the first steps when buying a home is getting pre-approved. To understand why it's such an important step, you need to understand what pre-approval is and what it does for you.

What Is Pre-Approval?

Freddie Mac explains it like this:

*"**A pre-approval is an indication from your lender that they are willing to lend you a certain amount of money to buy your future home**. . . . Keep in mind that the loan amount in the pre-approval letter is the lender's maximum offer. Ultimately, you should only borrow an amount you are comfortable repaying."*

Basically, pre-approval gives you critical information about the homebuying process that'll help you understand how much you may be able to borrow so you have a stronger grasp of your options.

How Does It Work?

As part of the pre-approval process, **a lender looks at your finances** to decide what they'd be willing to loan you. From there, your lender will give you a **pre-approval letter** to help you understand how much money you can borrow. That can make it easier when you set out to search for homes because you'll know your overall numbers. And with higher mortgage rates impacting affordability for many buyers today, a solid understanding of your numbers is even more important.

Pre-Approval Helps Show You're a Serious Buyer

Pre-approval can help a seller feel more confident in your offer because it shows you're serious about buying their house. And, with sellers seeing a slight increase in the number of offers, making a strong offer when you find the perfect house is key.

A recent article from the *Wall Street Journal* (WSJ) says:

> *"**If you plan to use a mortgage for your home purchase, preapproval should be among the first steps in your search process.** Not only can getting preapproved help you zero in on the right price range, but it can give you a leg up on other buyers, too."*

Bottom Line

Getting pre-approved is an important first step toward buying a home. It lets you know what you can borrow and shows sellers you're a serious buyer.

Things To Avoid After Applying for a Mortgage

Consistency is the name of the game after applying for a mortgage. Be sure to discuss any changes in income, assets, or credit with your lender, so you don't jeopardize your application.

Don't change bank accounts.

Don't apply for new credit or close any credit accounts.

Don't deposit cash into your bank accounts before speaking with your bank or lender.

Don't co-sign other loans for anyone.

Don't make any large purchases.

The best plan is to fully disclose and discuss your intentions with your lender before you do anything financial in nature.

A Real Estate Expert Gives You Clarity in Today's Housing Market

A real estate expert uses their knowledge of what's really happening with home prices, housing supply, expert projections, and more to guide you throughout the homebuying process.

Why You Want To Lean on a Trusted Professional

Jay Thompson, Real Estate Industry Consultant, explains:

> *"Housing market headlines are everywhere. Many are quite sensational, ending with exclamation points or predicting impending doom for the industry.* ***Clickbait, the sensationalizing of headlines and content, has been an issue since the dawn of the internet, and housing news is not immune to it****."*

Unfortunately, when information in the media isn't clear, it can generate a lot of fear and uncertainty in the market. As Jason Lewris, Co-Founder and Chief Data Officer at *Parcl*, says:

> *"In the absence of trustworthy, up-to-date information, real estate decisions are increasingly being driven by fear, uncertainty, and doubt."*

But it doesn't have to be that way. Buying a home is a big decision, and it should be one you feel confident making. You can lean on an expert to help you separate fact from fiction and get the answers you need.

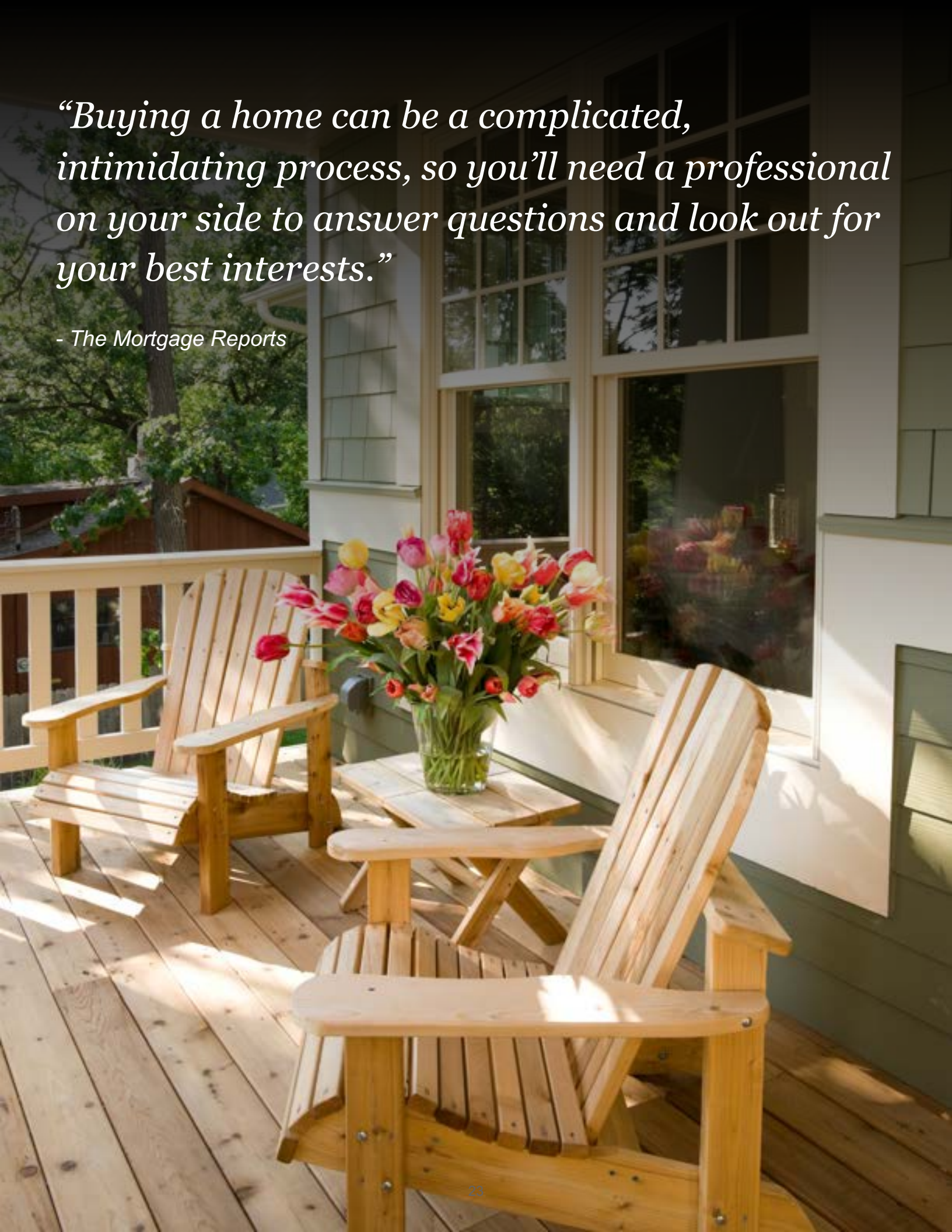
The right agent can help you understand what's happening at the national and local levels, and they can debunk the headlines using data you can trust. Experts have in-depth knowledge of the industry and can provide context, so you know how current trends compare to the normal ebbs and flows in the industry, historical data, and more.

Then, to make sure you have the full picture, an agent can tell you if your local area is following the national trend or if they're seeing something different in your market. Together, you can use all that information to make the best possible decision.

After all, making a move is a potentially life-changing milestone. It should be something you feel ready for and excited about. And that's where a trusted guide comes in.

Bottom Line

For expert advice and the latest housing market insights, let's connect.


“Buying a home can be a complicated, intimidating process, so you’ll need a professional on your side to answer questions and look out for your best interests.”
- The Mortgage Reports

Let's Chat.

I'm sure you have questions and thoughts about the real estate process.

I'd love to talk with you about what you've read here and help you on the path to buying your new home. My contact information is below, and I look forward to working with you.

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