

things to consider when

BUYING A HOME



Spring 2023 Edition

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What's Happening in the Housing Market?

With so much recent change in the housing market, you probably have questions about what it all means for your homebuying plans this spring. Here are two things that are likely top of mind for you.

1. What's Going on with Mortgage Rates?

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. Today, rates are still quite volatile. With experts projecting rates will stabilize this year, that could be great news for you if you're ready to buy a home. Any drop in interest rates helps boost your purchasing power by bringing your expected monthly mortgage payment down.

But you shouldn't expect rates to drop all the way down to the record lows we saw in 2021. Experts agree that isn't a range buyers should expect. Greg McBride, Chief Financial Analyst at *Bankrate*, explains:

"I think we could be surprised at how much mortgage rates pull back this year. But we're not going back to 3 percent anytime soon, because inflation is not going back to 2 percent anytime soon."

It's important to have a realistic vision for what you can expect this spring. Though we're not going back to 3% mortgage rates, you may be surprised by the impact even a mild drop in rates has on your budget.

2. What's Happening with Home Prices?

Headlines about home prices can be confusing. While home price appreciation has cooled, where home prices go from here will vary based on supply and demand in our local market.

That may be why some experts say prices will decline slightly and others say they'll continue to climb, just more moderately than they did in the frenzy of the pandemic. The important thing is, overall, experts say price appreciation will be relatively neutral or flat this year.

Bottom Line

Don't let market uncertainty delay your goals.

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



KEY TAKEAWAY

If you're thinking about pausing your home search because of mortgage rates, you may want to reconsider. This could actually be an opportunity to buy the home you've been searching for. The rise in mortgage rates is leading some potential homebuyers to pull back on their search for a new home. So, if you stay the course, you'll likely face less competition among other buyers when you're looking for a home. This is welcome relief in a market that has so few homes for sale.





How the Supply of Homes for Sale Is Changing

One of the biggest challenges in the housing market today is how few homes there are for sale. However, there are more options to choose from than there were at this time last year. Here's what that means for you.

The Number of Homes for Sale Is Up from Last Year, but Below Pre-Pandemic Levels

During the pandemic, housing supply hit a historic low at the same time buyer demand skyrocketed. This combination made it difficult to find a home because there just weren't enough homes available for sale to meet buyer demand.

Today, the supply of homes for sale has increased by 65.5% compared to this time last year. That's a welcome increase for buyers, but it's important to note that housing supply is still below where it was in the years leading up to the pandemic. In a recent report, *realtor.com* explains:

"While the number of homes for sale is increasing, it is still 43.2% lower than it was before the pandemic in 2017 to 2019. This means that there are still fewer homes available to buy on a typical day than there were a few years ago."



What Does This Change Mean for You?

Here's the good news: an increase in the number of homes for sale means you have more options for your search. Not only do you have more options to choose from, but sellers may be more willing to negotiate with you than they were over the last couple of years.

Just keep in mind, while a rise in home inventory is welcome, inventory is still lower than a more normal year in the housing market. That means it's still important to lean on your expert advisor for advice on how to navigate your local market. This can include being flexible and open to negotiations, balancing your wants and needs in a home, and taking the right financial steps to be confident in your options.

Bottom Line

Housing supply is still well below pre-pandemic norms. However, as buyer demand has slowed, inventory has started to grow. Let's connect so you have the latest information on the homes available in our local market.



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*If you're seeing a property on the market today,
you're probably seeing a motivated seller.*

— Rick Sharga, Founder, CJ Patrick Company

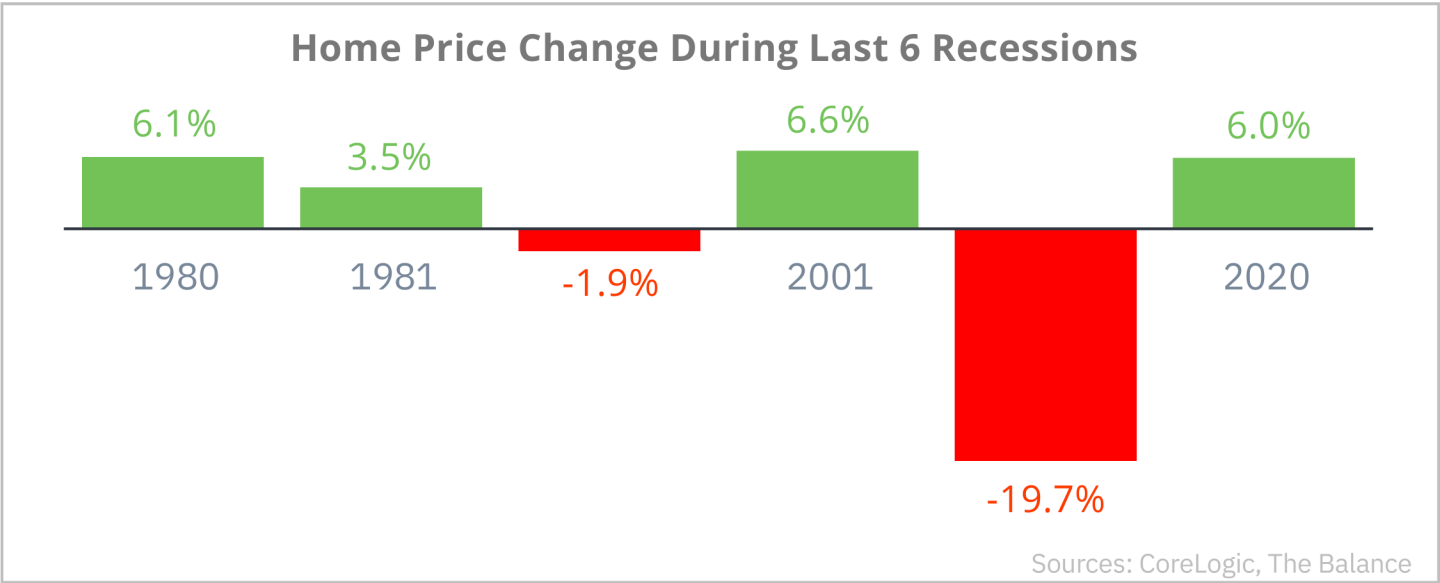


What Past Recessions Tell Us About the Housing Market

Although experts project any recession for the housing market would be short and mild, as recession talk grows this year, you may be wondering what it could mean for the housing market. Here's a look at the historical data that shows what's happened in real estate during previous recessions.

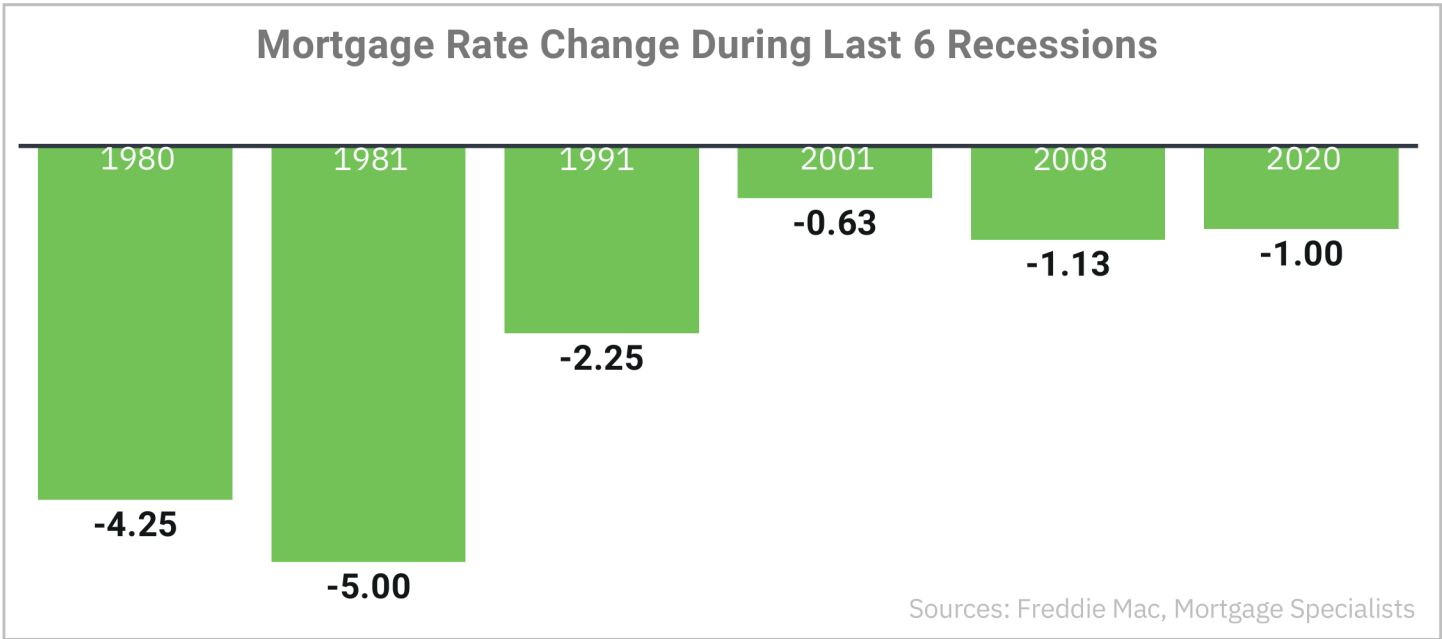
A Recession Doesn't Mean Falling Home Prices

The 2008 housing crisis can lead many of us to connect a recession with home prices crashing. But as the graph below shows, home prices appreciated in four of the last six recessions in this country. So historically, when the economy slows, it doesn't always mean home prices will fall.



A Recession Means Falling Mortgage Rates

How does a recession affect the cost of financing a home? As the the next graph shows, historically, each time the economy has slowed down, mortgage rates declined.



Fortune also explains mortgage rates typically fall during an economic slowdown:

"Over the past five recessions, mortgage rates have fallen an average of 1.8 percentage points from the peak seen during the recession to the trough. And in many cases, they continued to fall after the fact as it takes some time to turn things around even when the recession is technically over."

The big takeaway is, you don't need to fear the word recession when it comes to the housing market.

Bottom Line

According to historical data, in most recessions, home values have appreciated, and mortgage rates have declined. If you're thinking about buying a home this spring, let's connect so you have expert advice on what's happening in the housing market and what that means for your homeownership goals.

A photograph of a bright, modern interior space, likely a kitchen and dining area. On the left, there are large windows with white horizontal blinds. A wooden beam runs across the upper part of the room. Below the beam, there are open wooden shelves holding various kitchen items like glasses, bowls, and a small plant. A kitchen counter with a sink and a gold faucet is visible. In the foreground, a dining table with a white tablecloth and a vase of greenery is partially seen. A teal-colored overlay covers the bottom half of the image, containing a quote and the name of David Stevens.

“

So be advised...this may be the one and only window for the next few years to get into a buyer's market. And remember...as the Federal Reserve data shows... home prices only go up and always recover from recessions no matter how mild or severe. Long term homeowners should view this market...right now...as a unique buying opportunity.

— David Stevens, Former Assistant Secretary of Housing



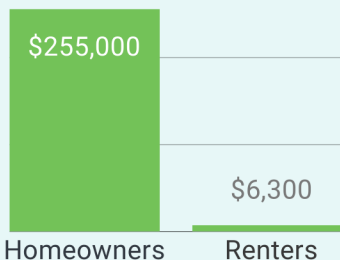
When Buying a Home Makes More Sense Than Renting

If you're a renter, you likely face an important decision every year: renew your current lease, start a new one, or buy a home. This year is no different. But before you dive too deeply into your options, it helps to understand the true costs of renting moving forward.

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

Rents have risen consistently for several decades. When rents rise you pay more and that can make saving for a home even harder. The 2023 Housing Forecast from realtor.com expects rents will keep climbing. That forecast projects rents will increase by 6.3% in this year. That means, if you're planning to rent again this year and you've not yet renewed your lease, you may pay more when you do.

Average Household Net Worth



Homeownership is a Powerful Tool for Building Wealth

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

That is one of the reason 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. If you're looking for more stability, it could be time to prioritize homeownership. One of the many benefits of owning your own home is it provides a stable monthly cost that you can lock in for the duration of your loan.

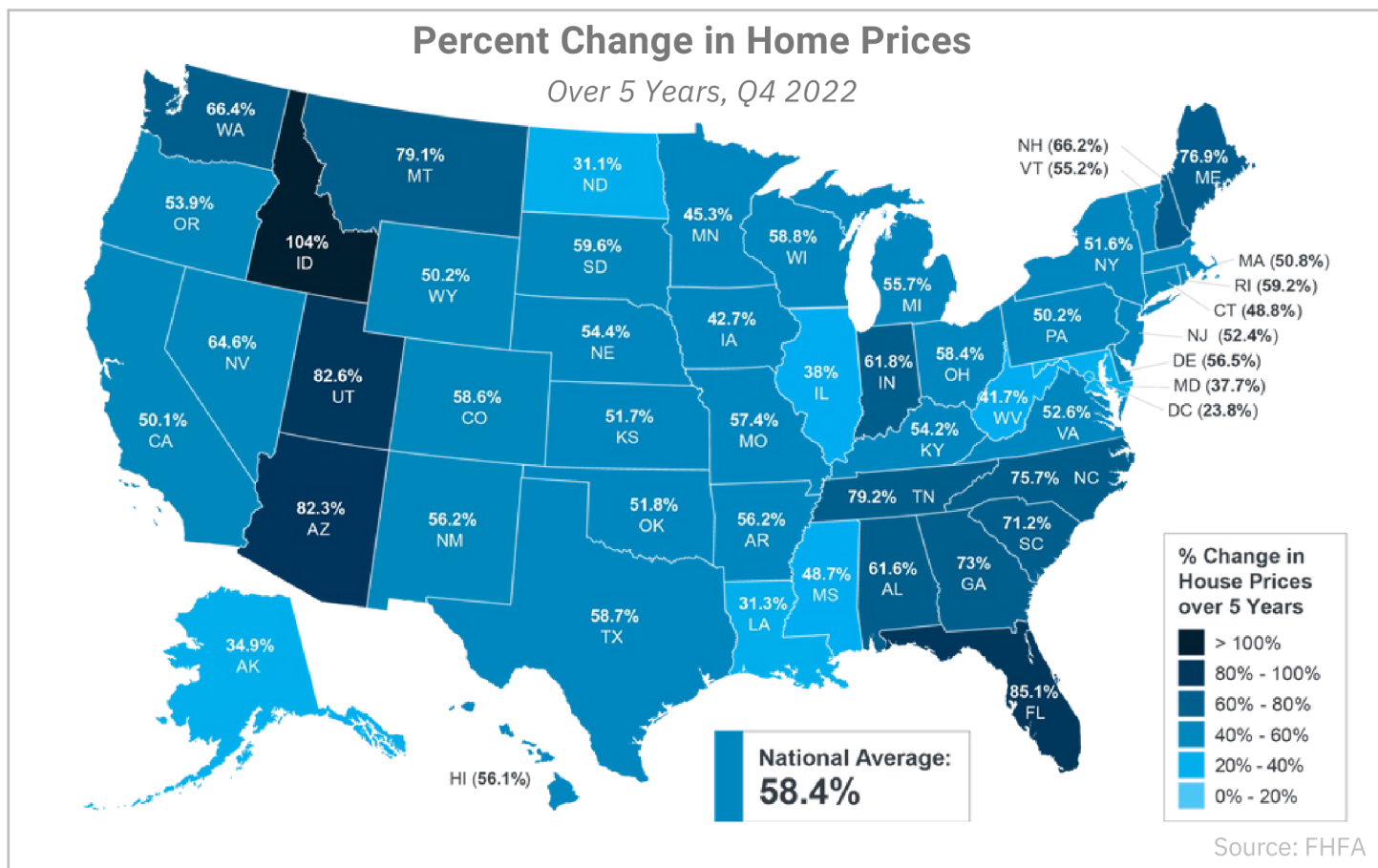
Homeownership Wins over Time

Do you know people who bought a home 5, 10, or even 30 years ago? If you do, then you know they most likely don't regret it. Why is that? The reason is homeowners gain equity and wealth as their home value grows over time.

Home Price Growth over Time

Over the past year, home price appreciation has slowed throughout the country, but having perspective on the longer-term look on home values is key. While the extent of recent price moderation varies by local market, going forward, experts project home price appreciation in 2023 to be roughly flat or neutral nationwide—not a drastic decline. There just aren't enough homes on the market for prices to crash.

And when we look at homeownership gains over time, it's important to see the bigger picture. The map below uses data from the *Federal Housing Finance Agency (FHFA)* to show just how noteworthy the cumulative gains have been over the last five years:



If you look at the percent change in home prices, you can see they grew, on average, by **58.4% nationwide over the last five years**. So, while prices may go slightly up or slightly down over shorter periods of time, the long-term benefits are where homeowners truly win.

Percent Change in Home Prices

Since 1991, Q4 2022

National Average: 289.1%

State	Percent Change
WA	456.8%
OR	511.8%
ID	505.4%
MT	570.4%
ND	297.6%
SD	350.8%
WY	390.2%
NE	285.6%
KS	249.4%
OK	249.8%
TX	332.1%
NM	264.4%
AZ	436.8%
UT	588%
CO	574.4%
NV	291.1%
CA	300%
AK	236.8%
HI	286%
ME	318.7%
NH	296.3%
VT	260.3%
MA	308.9%
RI	246.2%
CT	149.6%
NJ	245.4%
DE	205.3%
MD	232.3%
DC	524.7%
VA	272.2%
NC	296.1%
SC	290.5%
GA	283.7%
AL	237.2%
MS	190.3%
LA	255.9%
AR	229.7%
MO	250%
IA	235.3%
MN	292.3%
WI	284.5%
MI	229.3%
IN	218.3%
OH	198.8%
PA	220.8%
NY	249.9%
WV	191.9%
KY	250.6%
TN	340%
FL	428.2%

Source: FHFA

While home price growth always varies by state and local area, the nationwide average indicates the typical homeowner who bought a house 30 years ago saw their home increase significantly in value over that time. This is why homeowners who bought their homes years ago are still happy with their decision. And while the past won't always dictate the future of home price appreciation, it can most certainly teach us quite a bit.

Bottom Line

Data shows home values historically appreciate in the long run, which gives your net worth potential a nice boost. If you're ready to buy a home, let's connect today.



Pre-Approval in 2023: What You Need To Know

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?

Business Insider explains:

*"In a preapproval [sic], the lender tells you **which types of loans you may be eligible to take out, how much you may be approved to borrow, and what your rate could be.**"*

It gives you critical information about the homebuying process that'll help you understand your options and what you may be able to borrow.



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. A recent article from *Forbes* notes:

*"From the seller's perspective, a preapproval letter from a reputable local lender often **can make the difference between accepting and rejecting an offer.**"*

This goes to show, even though you may not face the intense bidding wars you saw if you tried to buy during the pandemic, pre-approval is still an important part of making a strong offer. In fact, Christy Bieber, Personal Finance Writer at *The Motley Fool* explains it may be the most important part of making an offer:

*"The fact that a pre-approval gives you a better chance of getting your offer accepted is undoubtedly **the most important reason to complete this step . . .**"*

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.





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.





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Buying a home is no small feat, and it's one of the biggest financial decisions of your life. When you're ready to buy, finding a real estate agent with experience to guide you through the homebuying process is key.

— BankRate



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 goal is for you to feel that the purchase of your home exceeded all of your expectations, so throughout our interactions – from search to close – I'll work hard to achieve that goal

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