



Hurry up or wait: The big question on every buyer's mind this spring

Just as homebuyers have learned to navigate soaring prices, sinking inventory and bidding wars, the housing market has reached a new level of madness. Will it all boil over this spring?

BY [MARIAN MCPHERSON](#)

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Matthew Bizzarro can read the tea leaves.



Matthew Bizzarro

The Manhattan-based broker said that following a two-year fantasyland in which his clients snapped up prized properties for up to 30 percent below asking price as fellow New Yorkers fled for suburbia amid the coronavirus pandemic, many are now waking up to a new reality.

“Inventory has finally caught up with the rest of the country,” Bizzarro told Inman. “And it’s going to be absorbed very quickly this spring.”

Just as homebuyers have learned to navigate soaring home prices, sinking inventory and fierce bidding wars, the housing market has reached a new level of madness thanks to climbing mortgage rates, booming inflation and fears about the United States being pulled into the war between Russia and Ukraine.

The weather is changing, both literally and figuratively.

The sudden rise in home prices and interest rates has put buyers on edge, including a stressed-out young mother who Bizzarro said approached him about purchasing her first apartment after learning her rent would be increasing 25 percent. “We had a consultation and we got together, broke down her finances, and looked at that question: Does she buy now? Or does she wait?” he said.

Across the country, rookie agent [Jessica LaMar](#) faced the same question from a pair of friends who were on the fence about wading into Sacramento County’s dog-eat-dog real estate market in California, which saw [a six-figure bidding war for a burned-down shell of a home](#) last month. “I have one set of really good friends who were thinking about buying a house just to take advantage of the interest rates, and their market is growing really fast,” she said.

LaMar and Bizzarro both crunched the numbers for their clients and came to two different conclusions: Bizzarro’s client decided to jump headfirst into New York City’s real estate market and found a two-

bedroom apartment that would be equal — tax write-offs considered — to the cost of her cramped apartment. Meanwhile, LaMar’s friends decided it would be best to hold off and wait for a better time to buy.

“That’s what the market is right now,” Bizzarro said. “It is do I buy now or wait? It is definitely a client-by-client situation in which you need to analyze — you can’t make a blanket statement.”

The impact of rising mortgage rates

Mortgage rates have been on the rise this year, with 30-year fixed-rate mortgages reaching a two-year high and [shooting past four percent in mid-February](#). Rates have ebbed and flowed in the weeks since, Inman mortgage editor Matt Carter wrote, as the conflict between Russia and Ukraine [pushes investors to rethink their investments](#) in government debt and mortgage-backed securities.

Real estate leaders, such as [Keller Williams founder Gary Keller](#) and [RE/MAX President and CEO Nick Bailey](#), have been quick to remind agents at their respective conferences earlier this year that current mortgage rates are historically low and nowhere near the rates of the 1970s and 1980s, [which hit an annual average of 16.63 percent in 1981](#).

Although statistics show the cost of borrowing is lower than ever, Bizzarro, LaMar and New Orleans-based broker Francesca Brennan said those small increases can negatively impact a buyer’s budget or even knock them out of the game altogether.

“For buyers coming to the market is still the number one concern is interest rates,” Bizzarro said. “When they’re looking on taking a 10, 20 or 30-year mortgage, the difference of a half a point or a whole point on a mortgage in New York City is substantial, and we’re seeing a lot of folks really starting to crunch the numbers.”



Francesca Brennan

LaMar and Brennan said first-time homebuyers are more vulnerable to mortgage rate fluctuations, as they face fierce competition from fellow newbies and even experienced buyers for a weakening share of affordable homes. “We’re definitely seeing a slight impact for that first-time homebuyer [looking for an] entry-level home, which in New Orleans, is maybe up to \$400,000,” Brennan said. “Every little penny counts for these buyers.”

Although the rise in interest rates has caused some homebuyers to rethink their plans or scrap them altogether, agents said an anticipated rise in interest rates has motivated the majority of their clients to act now.

“As their [home] search continues and if they’re not able to identify something right away, the fear is in the next few weeks the interest rate they can lock is now higher, which is affecting their purchasing power,” Bizzarro said. “As time goes on, some folks may see their purchasing power decrease, which is creating another level of uncertainty and need to rush to lock in a rate and buy a home.”

Los Angeles-based broker Elmer Morales said mortgage rate fluctuations can be incredibly scary for homebuyers, and agents can help assuage fears by doing the math on what a half a point increase translates to in dollars. “Interest rates are a concern that we often hear from the buyer, and agents and loan officers have to do good a good job of educating the buyer,” he said. “If the buyer is comfortable with the monthly payment, then they should definitely be moving forward.”

For example, [Windermere Chief Economist Matthew Gardner said on Friday](#) the monthly payment for a homebuyer who locked in a 2.96 percent interest rate for a \$370,000 home in June 2021 and a homebuyer who locked in a 4.06 percent interest rate for the same house in February 2022 would increase “relatively modest \$182.”

Miami-based agent Sandra Debuire said homebuyers must be encouraged to shop around for rates before deciding to bow out or before deciding to make the brash decision of choosing the first rate that’s offered. Debuire said buyers tend to lean on large-scale national lenders such as Quicken Loans or Rocket Mortgage; however, she suggests buyers look for local lenders who have an intimate understanding of the market.

“For me, what’s most concerning is just working with the right lender,” she said. “If [a buyer] wants to work with their own bank, that’s fine. But I always ask them to also consult a Miami mortgage broker since mortgages are tougher, not only because rates are higher, but also the appraisals are not as accurate as they used to be just because the market is changing every week, and a local lender has an easier time handling those issues for buyers.”

Bidding wars are heating back up, and inflation isn’t helping

After nearly two years of a nonstop rapid-fire sales pace, [the return of seasonal buying trends](#) during last half of 2021 offered a slight reprieve for some homebuyers as median home price sales growth slid 1.3 percent year over year to 14.6 percent, [according to the National Association of Realtors](#).

However, Hopkinton, Massachusetts agent Bill Gassett said homebuying and homeselling activity is quickly on the rise with bidding wars pushing buyers to blow their budgets.

“My market is characterized by basically nothing for sale, and every house that goes on [the market] has a bidding war and selling at unprecedented prices,” he said while noting Hopkinton is getting more attention from Boston buyers. “It’s just mind-boggling what the houses are going for. I think the bidding wars are even greater than it was last year.”



Bill Gassett

Gassett said two of his most recent listings sold within one week, both for more than \$100,000 above the asking price. “One of the houses had 116 showings in three days and 22 offers,” he said. “The thing about these listings is that they weren’t higher-end homes where the people buying them have the comfort of spending more because they’re probably really well off.”

“These were mid-level houses in the low \$600,000s,” he added. “So it’s craziness like what’s happening where I am.”

According to Realtor.com's [latest real estate market report](#), the craziness Gasset is experiencing is happening nationwide as homebuyers launched into spring purchasing plans as early as last month. As active listings (-24.5 percent), new listings (-0.5 percent) and days on market (-17) continue to decline year over year, median listing prices have increased 12.9 percent to an all-time high of \$392,000 — a price Realtor.com Chief Economist Danielle Hale said usually doesn't come until March or April.

“Over the last five years, we have seen home prices break records early in the season as buyers try to get ahead of the competition,” Hale said. “But this is the first time the record has been broken in February, signaling that competition is already heating up weeks before the start of the Spring buying season in a typical year. While the number of homes on the market remains woefully behind buyer demand, in February we saw declines in new listings improve for the first time since November 2021, indicating potential hope on the horizon.”

Bizzarro said New York City buyers are struggling to adjust to what's already become the norm for homebuyers elsewhere in the country.

“It's not the market in which you can go and offer 20 to 30 percent less on a seller's asking price in your initial offer. That market is gone,” he said. “And we're still seeing it on occasion when clients are not educated correctly on the market, still trying to offer 30 percent below the asking price.”

What's been keeping his buyers in the market, he said, are the small pockets of listings throughout the Upper West Side, Upper Manhattan, Washington Heights and Inwood that are still reflecting COVID pricing. “We're still looking at about five to 8 percent discounts [in those areas] from what we saw pre-pandemic, and a lot of people are purchasing in the Bronx right now since there are really good values out there,” he said. “The buyer just has to be willing to explore and look at what's there.”

While Bizzarro's buyers have a sliver of hope on scooping up a good deal, other agents Inman spoke to said their clients are facing a long, difficult road to purchasing a home that meets their needs, especially if they're relying on financing to get the job done. “Buyers just have to be prepared to save and have cash on hand,” LaMar said. “If you do have enough cash on hand, you're able to write an offer that can be a little bit more competitive.”

Beyond having cash on hand, Gasset and LaMar said homebuyers have had some luck with adding appraisal gap contingencies to give homesellers more certainty. LaMar said an appraisal gap of as low as \$5,000 worked for one of her homebuyers, while Gasset said homebuyers in his market may need to offer an appraisal gap of at least \$20,000.

“The number one thing to try to win is obviously, paying in cash because a seller doesn't have to worry about a buyer's financing,” he said. “Many buyers can't do that, but there are a few other things — that aren't quite as good — but help quite a bit, such as an appraisal gap guarantee. It alleviates uncertainty for the seller since you promise to cover any difference between what you're actually going to pay for the house versus what the appraiser says it's worth.”

Outside of that, Gasset said getting as close to a 20 percent down payment as possible also helps homebuyers offer sellers more certainty that their financing won't fall through. “That [20 percent down payment] is very helpful because it also helps potentially with any kind of appraisal issue,” he added.

LaMar, Gasset, Brennan, Bizzarro and Morales said asking homebuyers to have large sums of cash on hand or offer contingencies, such as an appraisal gap, can be difficult as record inflation has put everyone on edge. However, their buyers, overall, are still dedicated to purchasing a home this spring.

“Oil and gas is a huge part of our economy in New Orleans where we have Chevron, Exxon, and a lot of big players,” Brennan said. “Anytime there are fluctuations in price per barrel, we definitely feel it. We're

not seeing \$6.50 a gallon like in California, but even from a personal perspective it's definitely cringe-worthy pulling up to the gas station."

"But, honestly, the momentum has not even slowed down an iota here," she added.

Bizzarro echoed Brennan's sentiments and said although inflation is part of the conversation, it hasn't been enough to stop his buyers from staying in the market since they see real estate as a way to protect their long-term financial security.

"They understand inflation," Bizzarro said. "I mean, things are expensive in New York City. So they understand the cost of goods is going to be what the cost of goods is. These things can spur the sort of let's wait and see mentality, but overall, people really want to rush to get into contract quickly and buy a home."

The catch-22 sellers must face

Thanks to scant inventory and booming demand, homesellers have been riding high throughout the pandemic as [seller profits reached a 13-year high of \\$94,000](#). Most homesellers have had to do little work to get their abodes off the market, with [agents reporting sellers opting out of staging](#), making home upgrades or extensive marketing since buyers are signing contracts in as little as one day.

However, it hasn't been all peaches and cream for homesellers. The profits of homeselling come with the risk of failing to find a new home that fits their needs and pockets.

"You've got the catch-22 that everyone's dealing with now and it's honestly partially the reason why inventory has remained at historic lows," Gasset said. "There's actually a lot of people that want to sell, but they have nowhere to go. They're just staying put. So most of the people that are in the market right now are people that *have* to buy and sell and not people that *want* to buy and sell."



Sandra Debuire

Dubuire said the majority of her sellers have accepted they'll have to downgrade if they want to stay in Miami, which means they'll be trading life in a single-family home for condominium living. Meanwhile, her other sellers-turned-buyers are saying 'adios' to Miami for more affordable locales in Florida or surrounding states.

"You need to have this conversation with the seller even before listing their property because their property, once it's listed, it can be put under contract within a few days and sold within 30 days," she said. "This conversation needs to be had with the seller ahead of time and we need to send them some example of what they can get or what will fit their criteria. If you are with a good agent or professional agent, they will find something."

"However, if they're looking for the same type of [property they just sold], they will, of course, overpay."

For those sellers who need to sell, but don't want to deal with the challenges of being a buyer, Gasset and Brennan said jumping into the rental market can be a viable option. Brennan said New Orleans' average rent has jumped up over the past two years — [RentCafe said the Crescent City's average rent is \\$1,223](#) — but the majority of homeowners could easily afford to rent for a couple of years as they wait for home price growth to dampen.

"The one bad thing is if you sell your home, you've got to get back into the market," she said. "I'm telling people that if you can rent for two years and maybe the market turns down, you can keep that money that you made and reenter the market at a lower price point."

She added, "But a lot of people are just moving out of the market altogether, maybe go into neighboring cities where the market isn't quite as volatile. Obviously, it's a great time to sell your house, but you do have to have some ducks in a row to be able to enter the market [as a buyer]."

Gasset said he's tried the rental pitch to no avail, [as Boston's average rent tops \\$3,549](#) and is expected to top \$4,000 as landlords enact record rent increases. "I've suggested that to a few people, but none of them have bitten on it," he said with a laugh. "I've even actually got a best friend of mine that has gone back and forth about selling his house, and I pitched that exact thing to him."



Elmer Morales

"He said, 'I can sell my house for a lot of money but where am I gonna buy?'" he added. "But he's been indifferent about renting. I guess probably going through the whole hassle of moving and all that doesn't make renting any more attractive."

Morales said he's been leveraging iBuyers such as Opendoor and HomeLight to help soften the "punch in the gut" homesellers face as they navigate a dual transaction. "Just like they're wanting buyers that are going to remove contingencies, they're all gonna have to do the same with the purchase of their next home," he said. "They're getting beat out by multiple offers, too."

"They'll need to partner up with a [platform] like Opendoor or HomeLight that may potentially help them purchase the home they want through kind of bridge loan option, which allows them to sell the home back to them," he added. "With a finance company like Opendoor or HomeLight their chance of success is a lot greater than if they're just out there shopping with 20 to 30 percent down."

What about war?

Beyond a topsy-turvy economic landscape, homebuyers and homesellers also have begun to think about the escalating conflict between Russia and Ukraine. Although the invasion [proved to be a buoy for mortgage demand as rates declined last week](#), economists say the conflict could result in higher rates by the end of 2022.

"Mortgage rates dropped for the first time in 12 weeks, as the war in Ukraine spurred an investor flight to quality, which pushed U.S. Treasury yields lower," Mortgage Bankers Association Associate Vice President of Economic & Industry Forecasting Joel Kan [told Inman in a previous article](#). "Looking ahead,

the potential for higher inflation amidst disruptions in oil and other commodity flows will likely lead to a period of volatility in rates as these effects work against each other.”

Agents told Inman their clients have expressed slight concerns about Ukraine, but usually in terms of what it could do to interest rates as the year continues. No one has canceled their homebuying or homeselling plans specifically because of the war, they said, but the added layer of uncertainty has required them to do more hand-holding and reassuring.

“Uncertainty is on everybody’s mind, and I haven’t met anybody that likes uncertainty and what uncertainty does is it causes people to pause. It’s a natural reaction, right?” Bizzarro said. “We have numerous uncertainties — we have interest rates, we have inflation and [now we have the \[situation\] in Ukraine.](#)”

LaMar said she’s redirected her buyers and sellers to focus on what they can control, which are their personal finances and locking in the best interest rate they can. “The conversation around that has been more on helping people focus on what they can control,” she said. “There are so many elements about what’s going on with Russia that is out of our control and it’s hard for people to wrap their minds around how it’s going to affect our economy here in the U.S.”

“My job is just kind of bringing people back into like, ‘Okay, let’s focus on your world, and what you can control, and this is what we can do to set you up to be successful,’” she added.

Should homebuyers wait for a bubble or strike now?

“I’m not a reading crystal ball on real estate, although I wish I could,” Bizzarro said. “From what I see, the market is very strong — [it’s not like it was when the previous housing crash happened](#) because people who buy [today] are very solid. Even if the market goes down, those people will not sell because they don’t need the money.”

Gassett said home prices will eventually slow down, but only because more sellers start placing their homes on the market and builders improve their housing starts. “You’ll see the markets change once inventory changes,” he said matter of factly. “But it’s gonna take a little while before that happens. There are just no houses for sale right now.”

As some buyers decide to wait for a bubble or slowdown, Gassett said agents have to help them accurately weigh the risks and benefits of that decision. “It’s hard to time the market,” he said. “People said two years ago that prices were going to suddenly drop and they were completely wrong because prices have gone up 30 percent. Two years ago, prices were high but now we’re on a record run.”

“Again, if you had said two years ago, the market is going to dive and decided to wait, you’ve lost already the opportunity to build 30 percent equity in a home, which is crazy,” he added. “You can’t try to time the market. If you need to buy a house, buy it.”

Like Bizzarro and Gassett, Brennan said the current market is proof that no one can truly know where the market will go next. “I could’ve never orchestrated his kind of seller’s market in a million years combined with a pandemic and combined with all of the other things that are going on,” she said. “Ultimately, whatever a buyer chooses has to work for them and their family. We just have to do the best we can with the knowledge we have right now.”

LaMar and Morales said they help homebuyers and homesellers simplify their choices by asking one question: “How long do you plan to stay in your new home?” Both agents said if the answer is any less than five years, they urge clients to think about waiting as the rigmarole of moving through this kind of market might not be worth the equity gains you’d see in two years of owning a property.

“Interest rates are low and this is a fantastic time to buy, but I think factoring in how long you would be willing to live in the house is also something that’s been a topic of conversation,” LaMar said. “If you only want to buy a house for two years, and if something happens and you can’t write it out, then you’re going to be putting yourself in a bad situation.”

Morales said he expects the market to slow down in the next two years, as climbing interest rates result in a small decrease or adjustment in property values. If a homeowner decides to sell within the next two years they could face financial loss, especially if they engaged in a bidding war and overpaid what the home was actually worth. “Are you going to be in the house for five years or more? If the answer is yes and you can afford the payment, then you should totally buy right now. But if you may potentially sell within the next 12 to 24 months? I’d ask you to reconsider,” he said.

Agents said there’s no one-size-fits-all answer, but at the end of the day, it’s about helping buyers and sellers navigate their local market and make a logical decision that helps them in the long run.

“It’s about thinking about our clients’ best interest and wanting to make sure they’re set up for success, not just right now, but in the future as well,” LaMar said.