



Mark Maimon

Mortgage Branch Manager

NMLS# 3550

NY: 646-330-4735

LA: 310-341-3106

mmteam@luminare.bank

markmaimon.com

@thebridgeloanguy



A DIVISION OF



Why Buy Now?

The 2023 real estate market has created a major conundrum for buyers. Homes are less affordable due to sharply higher interest rates and prices that have stayed persistently high because of the lack of available homes for sale. However, in the latter part 2023 we are starting to see interest rates trending downward and inventory of homes increasing while homes sit on the market a bit longer. For those who can afford to buy now, this market may provide you with unique opportunities that most buyers don't have the perspective to clearly see. Here's why buying now may be advantageous:

Buy Now BECAUSE Interest Rates are High

No, that's not a typo! Higher rates are pushing most would-be buyers to the sidelines, which means you have less buyers to compete with. It's likely that more buyers than sellers will enter the market as rates gradually decline so the shortage of housing inventory will likely get worse over time – thus pushing prices higher. Securing a lower price is far more impactful in the long run than a lower rate because the purchase price is permanent while higher mortgage rates are temporary and easily refinanced. Having your cake and eating it too (getting a lower price and a lower interest rate) will be a two-step process that includes buying now and refinancing later. If you wait for rates to come down before buying, then you're inevitably waiting for more competition, higher prices and the burden of carrying more debt.

Tomorrow's Market May Box You Out

The vast majority of buyers make offers with down payments of roughly 10-25%, but why would a seller in an ultra-competitive market choose one of those offers when there are stronger offers from all-cash buyers or those who are putting more down? Buyers who weren't in the highly competitive market of 2021 aren't aware that pre-approved buyers with moderate down payments were outbid repeatedly by stronger offers, even when the offer with a moderate down payment was higher. Just because you're well-qualified for a mortgage doesn't mean that a seller will choose your offer over others. However, the current market is making buyers with average down payments much more attractive to sellers because there aren't as many offers for sellers to choose from. If you wait for rates to go down (when competition will certainly rise), that window of opportunity to have the winning bid may be completely lost all over again.

You Don't Have to Settle

In times of extreme competition, it's common for buyers to be forced to concede on various important characteristics of the ideal home they want to buy. The majority of buyers in the red-hot market of 2021 had to settle for a less than ideal location or neighborhood, school system, monthly budget, home size or condition and many other attributes (here's an interesting study on that topic). If you wait for lower rates, then the competition may force you to make concessions that you'll likely regret in the long run.

Upgrading is Cheaper Now

Many current homeowners are reluctant to sell now because they think their home will sell for more when rates come down. But what they are missing is that they will also pay more for the home they are buying at that time. In an example where a market is 10% off its peak, a seller selling a \$1 million home and buying for \$2 million gives up \$100k on their sale (10% of \$1 million), but they are gaining \$200k by getting the \$2 million home for 10% less than they would in a low rate environment. This is why you will win if you upgrade when prices are not at a peak. And if you refinance within a couple years, then you will have a lot to brag about at cocktail parties!

**The window of opportunity is already starting to narrow as rates inch lower
– don't be left wishing you had taken action earlier!**

Email mmteam@luminare.bank with any questions.