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High Rates Redefine Rules of Home Sales

Real-estate agents give much different advice these days than they did five years ago

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With mortgage rates on the cusp of topping 7% for the fifth year in a row, it might be time to stop waiting for lower rates to put your home on the market.

Home sales have cooled significantly as high rates make buyers think twice. Sales of existing homes last month were at their lowest level in more than a year. And that was before the Federal Reserve raised interest rates on Wednesday. The average 30-year fixed mortgage rate rose to 6.95% last week, Freddie Mac said Thursday. Note

Most sellers can no longer count on a swift sale. Buyers are quick to walk away from homes that are overpriced or in poor condition. Note

Of course, real estate remains local and varies often by region and price. Luxury properties have more cash buyers and remain competitive. But middle-market and starter homes are facing ratesensitive buyers.

We asked real-estate agents what they are saying now that they weren't saying five years ago about how to sell a home. Here's what they told us.

Vanessa Leimback, a Redfin agent in Lake Stevens, Wash., said: "The biggest mistake sellers are making today is thinking their home is better than the market."

Five years ago, when there were more buyers competing for fewer homes, sellers could be more aggressive on price and still expect buyers to show up, she said. But today, even if you have the best home on the block, that doesn't mean buyers will pay whatever you think it is worth.

Bill Kowalczyk, an agent for Christie's International Real Estate New York, tells the sellers he works with not to automatically reject an offer because it includes some sort of concession. A deal he worked on was instructive, he said.

He was representing a buyer considering a property listed for \$379,000 in Jersey City, N. J. The buyer originally wanted to offer \$370,000, but he suggested the buyer offer \$385,000 with a 20% down payment, while also requesting a \$12,320 seller contribution toward buying down the mortgage rate from around 7%.

The deal went forward. Assuming the property appraises at the higher purchase price, the seller would receive about \$2,680 more before commissions and other transaction costs. Meanwhile, using the seller's contribution to buy down the interest rate would save the buyer roughly \$123 a month on their payment.

Chris Wands, a Douglas Elliman agent in Miami, said that with higher mortgage rates, buyers have limited cash left after closing. In South Florida, they are already stretched by soaring insurance, taxes, flood exposure, homeowners association dues and potential assessments, Wands said. A minor issue that arises in an inspection can easily break buyers' budget if they have to pay to fix it themselves.

Even serious buyers will walk away if a seller refuses to acknowledge the issue. Five years ago, sellers could say no to repairs and rely on a backup offer. Today, it might pay to provide a reasonable credit or fix the problem, according to Wands.

"I recently saw a deal fall apart over a \$40,000 repair estimate from the buyer's inspection," he said. The buyer asked for a \$15,000 credit to offset costs. The seller declined. The buyer walked.

Allie Carr, a Berkshire Hathaway HomeServices agent in Cleveland,

said it pays to make your house look meticulously maintained. Fix the baseboards, the little dings in the cabinets, the landscaping, the mulch. Make the property look buttoned up. That can make a big difference.

Even so, sellers should consider a modest price discount because of how high rates are, she said. What is more, it is already a lukewarm time of year to be selling.

She said some buyers who could have afforded homes up to \$600,000 at the beginning of the year are now thinking of spending closer to \$500,000. "The people who I've been searching with for months suddenly don't want to push it," Carr said.

Ben Dixon, a Douglas Elliman agent in New York City and the Hamptons, said today he is much more willing to tell an owner to consider not selling at all. For owners who locked in a 2% or 3% mortgage several years ago, temporarily becoming a landlord can be a compelling alternative.

"The current market requires evaluating a property's highest value use rather than defaulting to a sale," he said.

Owners holding ultralow fixed rate mortgages can take advantage of the strong rental demand, he said. High rents might cover carrying costs, generate cash flow and allow the owner to hold on to their low-cost debt until the market takes a turn for the better.

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