

What Buyers, Sellers are Getting Wrong about Housing Market



JAN 2023 — **The housing market is rapidly rebalancing, but buyers and sellers are struggling to keep up with the changes, according to Zillow.** A Zillow survey of real estate agents finds the most common misconception among would-be buyers is that home prices will crash, while sellers are holding on to outdated expectations of bidding wars and quick sales.

Nearly half of agents (46 percent) say the biggest misconception among aspiring homebuyers is that home prices will significantly fall, while more than a third of agents (35 percent) say prospective buyers mistakenly think they should wait for high mortgage rates to come down.

“Buyers may think it’s better to wait out the market, but in reality, there is more opportunity in this market than I have seen in the past five years if buyers approach real estate as a long-term investment,” The Perry Group head Michael Perry said in a release. “If prices or mortgage rates take a meaningful dip, all those sidelined buyers will likely come rushing back to the market, driving up competition and prices. If a buyer can purchase today, they have bargaining power, more options and more time to find the right home, instead of being rushed into a purchase they might regret.”



Zillow said its research finds a rapid drop in home values is unlikely. Its home value forecast predicts a flattening of home values over the next year, with prices increasing 1.3 percent by September 2023. Fewer new listings will keep upward pressure on prices.

Buyers

With volatile mortgage rates, 44 percent of agents say the most important action first-time buyers can take is to **line up financing before home shopping**. First-time buyers also should **understand what they’re willing to compromise on** before shopping for a home. More than a quarter of agents (28 percent) say the biggest mistake first-time homebuyers make is failing to **separate their wants from their needs**.

Buyers do appear to be taking advantage of today’s more favorable market. Nearly 3 in 5 agents say **buyers are taking more time to consider a home** (56 percent) and **making offers below list price more often** (55 percent). More than 40 percent of agents say today’s buyers are **including more contingencies in their offers** (43 percent), such as inspection and appraisal contingencies designed to protect buyers from unexpected costs.

Sellers

Sellers, meanwhile, may be holding onto outdated expectations. A vast majority of agents say it’s a common belief among sellers to expect multiple offers on their home (81 percent), a price above market value (79 percent), a quick sale (79 percent), and no need to cut their price (74 percent).

“Sellers can no longer put a for-sale sign outside their home and expect the offers to pour in,” The Briley Team agent Koby Sway said. “They have to roll up their sleeves and make necessary repairs and home improvements before listing their home for sale. And it’s more important than ever to get the pricing right when competing against other sellers for a smaller pool of buyers.”

Nearly 3 in 4 agents say pricing a home correctly is the most important seller strategy (73 percent). Competitively priced listings are going under contract in 19 days nationwide, 10 days faster than they were prior to the pandemic, while other homes are lingering on the market a median of 54 days. More than a quarter of sellers have been forced to cut their home’s listing price (28 percent), the highest share since 2018.