



Buying a Home Before the End of 2021? Here's Why You Might Want to Wait Instead

Description

For many prospective homebuyers, 2021 will no doubt go down in memory as one of the most challenging years to buy a home. Supplies were short, mortgage rates were dirt cheap, demands were ... well, everyone knows the story by now. The real estate market remains red hot, even in a traditionally cool winter market, and with mortgage rates expected to climb in 2022, many buyers are surely feeling the pressure redoubled in these final weeks before we sunset 2021.

But let's take a step back for a second. Should you really race for a new home in the next six or so weeks? Is it worth the pressure, the time, the inflated prices? Maybe. But, for some, I think not. Here's why it might be better to wait.

Less competition and more time to think

Competition is fierce — and that's an understatement. With demand reaching a level of “clawing and thrashing” for a home, you're definitely not going to buy a house for the price that it's intrinsically worth. And that's even without blind bidding.

The real problem with strong competition, however, is that it doesn't allow for the most important part of buying a home: thinking. With homes selling in a matter of days, homebuyers don't have a lot of time or space to dwell on the purchase. Granted, external pressure might make you think faster. But fast thinking is known to lead to impulsive decisions. And when it comes to perhaps the largest purchase of your life, you don't exactly want to depend on impulse.

Impulsive buying has also led to another risky trend: forgoing home inspections. In an effort to appear more resolute, home buyers are throwing down offers without giving a home a proper inspection. That can be costly, not to mention frustrating, especially when you pay more than the asking price and get less than what you expected.

More time to save

To buy a home you need two hefty funds: a downpayment and an emergency fund.

Too many homebuyers are foregoing the latter in favour of boosting the former. Or worse: they combine their emergency fund with their down payment to create a much larger initial payment, often to help them keep up in a market of ever-rising prices.

Speaking from experience here, you absolutely *don't* want to buy a home without a backup fund with at least three months of emergency expenses. All it takes is one HVAC to go out, and you'll realize very quickly how expensive your home really is.

All that is to say, if you don't have a hefty emergency fund right now, I would encourage you to build that fund first. And keep it separate from your down payment! You don't want to mix these two together. A hefty down payment along with a backup fund with three to six months of emergency expenses makes for a positive home-owning experience.

More inventory

Finally, if you absolutely don't need a house right now, waiting a year or so could mean more options. With the market being flooded with buyers, you don't have the luxury of asking yourself, "Do I see myself in this house in five, 10, or 15 years?" More or less, the question becomes: "Can I fit my family and stuff in here?" Both questions are crucial, and if you find the former one compelling, you may want to wait until you have the inventory to ask it.

Approach 2022 cautiously...

Like the stock market, real estate can be frustratingly volatile. So, let me end with a big disclaimer: we can predict, but we can't state directly what to expect in 2022. If you're absolutely certain you need to buy a home now (or, like, yesterday), by all means — keep hunting for a house. Mortgage rates will most likely go up in 2022, meaning you have a small window of time to lock into a historically low mortgage rate. Otherwise, it might be wiser to wait until 2022 to see how the real estate market fares under new mortgage rates.

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