



Should You Buy a Home in 2022? Here's Why You Should Wait Until Next Year

Description

We all just want a place to call our own, right? A little two-bed, one-and-a-half bath with a sizable backyard, maybe a pool or fireplace, or — if we're dreaming — a balcony with a beautiful view of the water.

Of course, these days, carving out a little slice of the real estate pie comes with a hefty cost — far more than many Canadians can afford. More so than that, it seems every month, home prices continue to climb, which can make you feel anxious and restless and even guilty at having waited so long to buy a home.

But don't let that make you despair. Though home prices are climbing, the rate at which they are rising is starting to decelerate. Already, more sellers are entering the market, helping to restock an exhausted home supply shortage. And though it's unlikely homes will lose immense value anytime soon, it's possible that some regions will see a decline in prices in 2023 and 2024.

That said, if you're looking to buy a home in 2023, but you don't absolutely *need* a home, here's why I would wait to buy.

Potentially less competition (and lower prices)

Perhaps the tallest hurdle stopping homebuyers is the price of a home itself. The average home price has risen to \$816,720 — a 20% increase year over year, with some cities seeing average prices climb far above \$1 million.

But outrageously high home prices could work in homebuyers' favour, at least over the long run. As Oxford Economics noted, less affordability will only decrease the pool of prospective homebuyers. As more and more homebuyers leave the market, exuberant demand will begin to cool off. That, in turn, could deflate home prices, as supply begins to meet demand once more.

If this plays out right, home prices could drop by 24% by the summer of 2024. Of course, even if prices dropped by that much, they would still be 15% higher than pre-pandemic years. Even so, taking a

quarter percentage off the price of a home can mean immense savings, especially in markets where \$1 million is the norm.

Save more money

Perhaps the best reason to put off buying a home is to save more money for your down payment, closing costs, and other hidden fees associated with buying a home.

And trust me — they can add up. Legal fees, land-transfer taxes, mortgage default insurance, home inspection fees (if you choose to get one), not to mention property taxes and insurance when you actually buy the house. By good estimates, you'll need around 1.5% to 4% of the purchase price to cover closing costs. For the average price of a home (\$816,720), you would pay \$12,250 at 1.5%, or \$32,669 at 4% for closing costs alone.

That's a hefty sum. And it's not one many Canadians can whip up in a short amount of time. Even if you have a solid down payment, you might still need some time to set aside cash for these costs.

Of course, then there's your down payment. You'll need to pay at least 5% on the first \$500,000 and 10% on the sum between \$500,000 to \$999,999. Any higher than that, and you'll need 20% of the purchase price.

Delaying your home purchase could help you save the amount you need, helping you avoid debt. And if Oxford Economics is right and home prices go down, you'll have the double benefit of having more savings to cover decreasing costs.

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