

3 Crucial Reasons You Should Buy a Home Before 2017 Ends

January 23, 2017 Lisa Gordon



Buying a house in 2017 will feel kind of like you've jumped onto the subway just as the doors were closing. Your heart's pounding and you're winded from the race, but you made it—just in time.

OK, so maybe that's a *little* exaggerated. But here's the thing: Interest rates have begun to rise and will likely climb higher. Inventory is low and could shrink more. And home prices? Well, home prices are increasing—and they're not predicted to fall any time soon.

If you don't jump aboard the real estate train now, you might be too late.

"It's tough to buy a home today in most places in the country because there are so few homes for sale," says **Jonathan Smoke**, chief economist for [realtor.com](https://www.realtor.com)®. "But if you wait to buy, then you're gambling that the market will be better for you to purchase in the future."

And that's not a smart gamble, our real estate experts say. If you've been toying with the idea of buying, or you anticipate a life change that might force you to move—such as a new baby or a job transfer—you should be "buying as urgently and as soon as possible," Smoke says.

So finish reading this, then start [looking for a house](#). Here's why.

1. Rates are rising

In 1981, when mortgage rates hit 18% and seemed to rise every day, single-digit rates seemed like an impossible dream.

Last August, however, rates on 30-year mortgages bottomed out at 3.55%. Now that the Federal Reserve finally decided to raise its key interest rate, [mortgage rates](#) have been climbing slowly. Today, the average rate is just above 4%; by 2019 or 2020, rates could easily climb to 6%.

“All signs point to this trend continuing,” says **Richard DeNapoli**, managing director for [Coral Gables Trust](#) and a former Florida real estate commissioner.

Before you freak out, take heart: Rising rates aren't necessarily a deal breaker for buyers. The National Association of Realtors® calculated that a rise from 4.2% to 5% would [increase average monthly mortgage payments](#) by \$90—not nothing, but not a catastrophe, either. And if you take the long view, those higher rates are still historically low.

“For buyers there still is opportunity,” says **Danielle Hale**, managing director of housing research for the NAR. “For those who are still able to get into the market, these low rates continue to be helpful.”

Another upside: When rates go up, competition and prices often go down.

“I'd tell buyers not to panic, because higher mortgage rates eventually cause sellers to be more flexible on pricing,” DeNapoli says.

2. Inventory is shrinking

In November 2016, there were only [1.85 million homes for sale](#). That's a nearly 10% drop from the year before. And it continues a trend of steady decline since just before the housing crash, when inventory peaked.

Real estate experts predict that inventory will continue to shrink, at least for the foreseeable future. That means that in most areas of the country, buyers have more homes to choose from today than they will next year.

Or even next month. If you get moving now ([during the winter](#), which is largely considered to be real estate's off-season), you'll have less competition for those homes than you will in the peak [spring and summer months](#).

Bottom line: Every day you wait to start looking for a new home, you face stiffer competition for fewer homes.

“If you think it's bad right now, wait until April to August,” Smoke says.

3. Home prices are still rising

The bad news for buyers is that home prices now stand higher than before the 2007 crash, increasing 5% from 2015 to 2016. And housing experts expect an additional 2% to 3% jump in 2017, DeNapoli says.

“Prices continue to go up; we have yet to see that ceiling,” says **Trevor Levin**, a real estate agent with [Nourmand & Associates](#) in Los Angeles. “I think they have room to grow.”

How high prices will rise and how long they'll remain high is anyone's guess. Rising mortgage rates and the new Trump administration have introduced "uncertainty" into the real estate market, Levin says.

"And uncertainty is never ideal," he says.

The good news? If you jump into the market pronto, you just might make it before those doors close.



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