



Buy Against the Herd

The opportunity to move against the herd is in front of us right now.

Common sense tells us to buy when rates are low. Sounds reasonable, right? But let's take that thought further and see where it leads.

If we accept that common sense tells us to buy when rates are low, then:

- Common sense tells us to buy when there are the most competitors because common sense by definition means that most everyone will arrive at the same conclusion.
- Common sense tells us that if we are to get the house we want, then we must outbid every competitor who is bidding on that house.

Remembering the principles of supply and demand, we know that this will drive the price higher. This must sound familiar to those who have been in the Bay Area real estate market over the past few years and who have routinely witnessed 10 to 15 offers on homes for sale.

Now that rates are higher relative to the last five years, common sense is that maybe buying right now is not such a great idea. If common sense is telling you to not buy now because rates are higher, then:

- Common sense is telling you not to buy when there are fewer competitors and less pressure for a house price to be bid up
- Common sense tells you to sit on the sidelines when it is a "buyer's" market

It seems that common sense leads one into taking actions that have them compete with the most bidders and to sit on the sidelines when there are fewer bidders.

Might it be better to buy when rates are high and there are fewer competitors? We always hear that it is more effective to not follow the herd and we see an excellent example of this in today's higher interest rate market.

The borrower always has the option to refinance if rates drop. This gives buyers the opportunity to buy a house where there are fewer competitors and then to lower the costs later if rates decline.

Some buyers cannot afford or qualify for loans at the higher rate. This is good news for those buyers who can afford and can qualify. This is what it means to have fewer competitors. Some will choose to not buy because of higher rates and others will be forced out of the opportunity by the market mechanisms at work.

Talk with your Realtor® to get specific grounding about what is happening with properties in the area where you'd like to buy. Are the days on market increasing? Are there multiple offers or are properties selling to one offer?

Come talk with us at Opes. We'll work with your situation with our proprietary Future Value Tool™ which creates a personalized financial forecast for each of our clients. With the results, we can help you assess what you can responsibly afford that still enables you to fund your retirement, college expenses and lifestyle expenses.

Perhaps going against common sense will enrich you in ways you never expected.
If there was ever an opportunity to move against the herd, it is in front of us right now.