How to answer the top 4 questions buyers are asking right now

Your clients will always surprise you with questions that you may not know the answer to, but it is our duty to be educated, knowledgeable, and a source of information and value to our clients

BY AMIE QUIRARTE

January 28, 2023

As the market continues to shift to an unknown and constantly changing direction, it remains our duty to not only anticipate but be prepared to answer our buyers' questions. We've all joked about our crystal ball that can see into the future a million times, and you might even get a pity laugh here and there, but it is our job is to educate our clients to the best of our ability based on the information that is available to us.

I remain steadfast in my belief that agents should be knowledgeable about not only their trade of real estate but the trades that directly (and sometimes, indirectly) impact it. That includes the mortgage industry, the stock market, the federal reserve and more.

More often than not, especially if you’re working with a savvy buyer, your clients will bring up the Dow or another hike from the feds on interest rates. You don’t want to feel like a deer stuck in the headlights when this comes up.

Buyer question No. 1: How can I know if this is the right time to buy?

Well, the right time to buy is based on each individual buyer’s current circumstances. The “right time” to buy is a myth that exists on the premise that every person has the same thing happening with their finances at the same time as everyone else. The right time to buy for me may look different than the right time to buy for you.

So, the first question I like to ask my clients is how important timing is. Do you need to move by a certain date? If yes, then the right time to buy is now.

Another, and arguably more important question in reply to this question is about their finances. I work with many self-employed buyers who oftentimes have an additional hurdle to overcome when obtaining a mortgage due to their lack of a W2 or steady, bi-weekly paycheck. Because of this, the “right time” to buy is often after they’ve had a strong year of income on paper. Or, if I’m working with an investor where neither time or money is an issue, I ask them what is the most important: the house or the price? This will help us determine when the “right time” for them is.

Buyer question No. 2: Will sellers continue to lower the price?

For now, I believe they will.
How far will they go? Only time will tell.
I like to remind my buyers that oftentimes we group “sellers” together and forget that this group is comprised of individual people with individual needs. Some sellers may need to sell within a month based on a move, so the price on that property may drop radically in comparison to others. While another seller may have no true need to sell as they’re just testing the market, so that home may sit for months on end without any price reductions or movement.
We’ve been in the middle of the inflection point in our market over the last few months, meaning the sellers who initially priced based on comparable sales during the peak have now had to get more realistic despite not necessarily having the comparable sales to support a lower price. Hard conversations happen during an inflection point, as sellers have to lean more on lack of interest/days on market instead of sales.

Buyer question No. 3: Will the market crash?

The words “market crash” have a different definition for everyone, and unfortunately, I think we still have fear instilled us from 2008. My honest opinion is that we will not get back to a place that is anywhere comparable to the crash in 2008. I can use knowledge and facts to suppport my viewpoint, but of course, I don’t have a crystal ball that can tell us the future.

The 2008 crash was fueled by predatory lending, unregulated markets, and sub-prime mortgages. There is a big difference between what happened with the mortgage industry {at that time} which inevitably created the crash and the natural swings of real estate.

The only thing constant in real estate is change. The nature of real estate is highs and lows. It is normal to see the market shift in an upward or downward direction. What isn't normal is to see the entire industry come crashing down like it did in 2008.

I believe that crash was a once-in-a-lifetime event and that we will not see anything like it for a very long time, if at all. But I do believe that the market will continue to soften and that it will stay that way for a few years until it goes back up again.

Buyer question No. 4: What is going to happen with interest rates?

This is a good time to use your knowledge about the broader financial markets and educate your clients.

I'd like to share a summary one of my mortgage partners, O'Dette Mortgage Group, put together to share with your clients:

January's CPI(consumer price index) inflation data was released Jan. 13, 2023 and came in right at expectations of 6.5 percent. This is good news as it's notably lower than December's reading of 7.1 percent, and CPI inflation has now moved lower for six consecutive months, with the last three CPI reports being the real catalyst in mortgage rates lower. While this 6.5 percent CPI figure remains notably higher than the Fed's target of 2 percent inflation, today's report was still good news in the context of how inflation/mortgage rates are recovering from the distortion *created by the Fed's red line full throttle bond purchase program during COVID, and all supply chain related COVID issues which are mostly in the rearview mirror.*

We're currently in this interesting window of time where it's valuable for real estate investors to understand that increases to the Fed funds rate do not mean mortgage rates increase. Sometimes reiterating the mechanics of what determines mortgage rates (bond prices, which have more significantly been determined by two things in the past few years: the Fed's bond purchase program and inflation) can instigate other questions.

Why does it matter if the Fed hiking the Fed Funds rate isn't what drives mortgage rates higher? It seems they're usually moving in the same direction. In other words, "Does it really matter if it's correlation or causation?" Answer: Yes, very much so, and the current market is precisely why it's so important to clearly communicate the differences and mechanics for clients.

As of November, we are now in a phase where the Fed will continue to hike the Fed funds rate, while mortgage rates are moving lower. This is key for those looking to capitalize on a real estate opportunity before mass market sentiment pendulums back.

At the end of the day, your clients will always surprise you with questions that you may not know the answer to, but it is our duty to be educated, knowledgeable, and a source of information and value to our clients.