

# Local builders can make buying a new home possible despite today's high interest rates

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**A**t the North State BIA's annual Regional Housing Forecast event earlier this month, one of the points that really stood out was that more people are buying new homes than has historically been the case.

Normally, new homes account for just 12-14% of the homes on the market, with the vast majority being existing homes being sold by their owners. Today, however, roughly one-third of the homes you can buy are new homes.

There are two important reasons why.

The first reason is that existing homeowners would rather hold onto their low-interest-rate

mortgage on their existing house rather than move. More than two-thirds of homeowners have mortgages of under 4% because they either purchased or refinanced during the past few years.

But now the Fed is fighting inflation and raising interest rates. As a result, mortgage interest rates are the highest they've been in 20 years. These higher rates are "golden handcuffs" for most homeowners, who don't want to trade a 3% loan for one in the 7% range. Because of this, they are staying put even if they would like to move or right-size — and thus there are relatively few existing homes on the market.

The second reason is that builders are willing to work with local buyers to make purchasing a new home easier by buying



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North State BIA Chair Bonnie Chiu, left, moderates a panel at the recent Regional Housing Forecast featuring Will Austin, director of market analytics at CoStar Group; Dean Wehrli, a principal with John Burns Real Estate Consulting; and Roger Gannon, COO of Woodside Homes.

down the interest rate from the high 7's to the high 5's. That can reduce monthly payments significantly, saving new home buyers several thousand dollars a year. Existing homeowners can't match that.

Other incentives that builders are offering include free upgrades or assistance with down payments or closing costs. But it's important to remember that these incentives won't last forever. As one speaker at the Housing Forecast

put it, "If you need to move, do it now because you won't get incentives like that again anytime soon."

And it's important to remember that we don't know which direction rates will go in the months and years ahead and how fast they will rise or fall. In 1971, mortgage rates averaged 7.33%. If buyers then waited for rates to go down, they wouldn't have purchased a home until 1993 — renting for 22 years while the value of real estate quadrupled. It's a good example of the truth of the old saying — don't wait to buy real estate; buy real estate and wait. You marry the house, but date the rate.

Today's new homes are far more energy efficient than houses built just 15 or 20 years ago. And new homes also come

equipped with solar panels, which drive down your electric costs even more. With electric rates continuing to rise, buying a new home today makes good sense. BIA homebuilders take pride in the quality of their work. New homes pass inspections and meet strict building codes. A new home is also under warranty, and issues that arise during the warranty term will be fixed at no cost to the homeowner.

Finally, buying a new home is an investment in community. Your neighbors will often share similar goals, whether seeking a community with great schools and parks to raise a family in or looking for an active adult community to enjoy activities with new friends. That is a powerful reason to consider a new home. There are nearly 200 new home communities in our region offering a wide variety of designs and locations. Somewhere in those communities is the home and lifestyle you're looking for.