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PERSONAL FINANCE

As Mortgage Rates Rise, Home Sellers Fear Time Is Running Out to Cash In

A growing sense of urgency to list properties before the housing market cools

By *Veronica Dagher* [Follow](#)

Updated April 7, 2022 10:46 am ET

Blood pressure is now rising along with home prices and mortgage rates as homeowners fear missing out on the right moment to stake the “For Sale” sign in the front yard.

The mood among sellers seems to have shifted in recent weeks from apathy about the slow boil of higher rates to urgency, financial advisers and real-estate agents said. Sellers are seeking advice on how best to time the market and tame their anxiety.

“The thought of rising interest rates has lit a bit of fire to our timeline,” said Meri Schroeder, a retiree in Frederick, Md.

She and her husband Dave Schroeder plan to put their 3,400-square-foot home on the market in the next few weeks to take advantage of the spring selling season and find a buyer before rates rise again in May. They hope to buy a smaller home with cash in Ohio.

Higher rates should cool prices in theory, though so far home buyer demand seems resilient and, in a further boon to sellers, the inventory of homes on the market remains low. Sellers may want to act quickly given that, as the Federal Reserve Bank of Dallas put it, “there’s growing concern that U.S. house prices are again becoming unhinged from fundamentals.”

How to tell when is the best time to sell

So how should prospective home sellers decide whether to accelerate their plans? Financial advisers generally say not to sell solely because mortgage rates are rising—after all, interest rates still remain near historic lows. The first step, real-estate agents and lenders suggest, is to take stock of the local real-estate market and your own financial situation.

This is still very much a seller's market, with many homes going for over the asking price and at breakneck speeds. The housing market may already be showing signs of leveling off, some economists say, and sellers can track several key data points.

Inflation keeps rising, and with it consumers' pessimism. Rising mortgage rates may gradually price some buyers out of the market or prompt them to look for cheaper homes.

The average rate for a 30-year fixed-rate loan is 4.72%, mortgage-finance giant Freddie Mac said Thursday, up from 4.67% the prior week.

The recent decline in mortgage applications is an early warning sign of a damping in buyer demand, said Redfin chief economist Daryl Fairweather. Applications for purchase mortgages fell 8.48% in February compared with the same month last year, due in part to rising home prices, higher mortgage rates and low inventory, according to the Mortgage Bankers Association, a trade group for mortgage lenders.

As always, sellers must take on the role of armchair economist and psychologist. They understand buyers will have less money to spend on a house as mortgage rates rise, said Brian Cohen, a financial adviser in Melville, N.Y.

For instance, a \$500,000 30-year mortgage at 3.5% would amount to a roughly \$2,245 monthly payment. Buyers would be able to borrow almost \$82,000 less for around that same monthly payment with a mortgage rate of roughly 5%, he said.



The housing market weather forecast

When the Federal Reserve announced its intention to raise rates six more times this year, Mr. Cohen said he received a wave of calls from sellers “feeling a bit antsy.” He told clients to not assume that the housing market is in a bubble. Price increases are more likely to significantly lessen, he said.

Until home prices actually start dropping, interest rates are unlikely to factor into seller behavior, economists say, unless they are also shopping around for a mortgage for their next home. The rise in home prices accelerated in January as the supply of homes for sale fell to a new low. The S&P CoreLogic Case-Shiller National Home Price Index, which measures average home prices in major metropolitan areas across the nation, rose 19.2% in the year that ended in January, compared with an 18.9% annual gain the prior month.

Jeff Tucker, senior economist at Zillow, forecasts home values will increase another 17.8% over the next year. Annual home value growth is likely to continue accelerating through the spring, peaking at 22% in May, before gradually slowing through February 2023, Mr. Tucker said.

Ed Pinto, director of the AEI Housing Center, said “2022 and 2023 present a great opportunity to sell, especially if you’re looking to become a renter or move to an area where you can get more home for the money.”

Mr. Pinto expects home values to continue to appreciate year-over-year at 17% or higher in 2022. He projects 10% to 12% year-over-year home price growth in December 2023.

Lawrence Yun, chief economist at the National Association of Realtors, predicts home values will increase another 5% over the next year. Annual home value growth is likely to continue accelerating through the spring, peaking at 15% in a month or two, before gradually slowing through the remainder of the year, he said.

Options for those who do need to move fast

Jeff Fishman, a financial adviser in Los Angeles, said there is a mood of urgency to sell among some of his local clients hoping to downsize and relocate to less-expensive places such as Nashville, Tenn.

“Take some chips off of the table before rates rise higher,” he said.

Amy Schinco, a real-estate agent in Omaha, Neb., said more sellers are rushing to get their homes on the market and are requesting rent-backs, where they stay in their home for a designated time after the sale. They are doing so to lock in what they believe will be “top

dollar” for their home before rates rise further and buy themselves time to find their next home when more inventory comes on to the market, she said.

Other sellers are taking a more cautious approach.

Barbara Fay, 80, initially planned to list her roughly 700-square-foot vacation cottage in Wells, Maine, this spring as she is fearful rising rates will hurt buyer demand. Her daughter Cheryl Costa, 57, a financial planner in Framingham, Mass., persuaded her to wait as many recent buyers in the community have been paying in cash.

Ms. Fay is still concerned she may miss the chance to get the most for her home and is keeping a close eye on how fast other cottages sell and what price they sell for. She’s regularly keeping tabs on mortgage rates.

“If mortgage rates hit 7%, I plan to list,” she said.

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