2021 Home Buying Trends in the U.S.



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Every year, the real estate market changes. That includes things like mortgage restrictions, qualifying criteria, interest rates and, of course, a fluctuating inventory. Sometimes, there's an abundance of homes available to buy, and other times, inventory is incredibly tight. Depending on the situation, it's either a buyer's or seller's market.

While all of these things might feel a little frustrating, they also create some unique opportunities. You see, whether you're interested in buying a house to live in or one as an investment, paying close attention to trends is an excellent way to know when and how to make your next move.

As a potential buyer, this year’s buying trends can help you determine if you should purchase real estate now or wait. If you find the trends favorable, you can move forward in handling other tasks such as hiring a real estate agent, physically visiting different properties and looking for affordable homeowner’s insurance.

The pandemic, along with a new President and administration, has stirred up the housing market to some degree. Therefore, knowing the current home buying trends can either put you at a distinct advantage or prevent you from making a huge and costly mistake.

Hopefully, you can use some of the information about the current trends to make well-informed decisions about everything from selecting the right property to purchasing the best homeowner’s insurance policy.

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Trend 1: Low Inventory

Currently, more buyers exist than available homes. That creates a challenge. You want to assess a particular property before putting in an offer, but you don’t have the luxury of time. People snatch up the best houses quickly, which means you have to make a fast move or lose out.

You do have some ways to work around this. Start by making a list of the things you must have versus those you want. Remember, you can always modify your new home after moving in. Also, instead of focusing on one location, consider expanding a little. Sometimes, even 10 miles can make a massive difference in the number of homes for sale.

Most importantly, get pre-approved, not prequalified. That means a lender has already processed your loan and put the

money aside when you're ready to buy. As a result, you have a significant advantage over other buyers.

Trend 2: Rising Home Prices

As a seller's market, you won't see prices going down any time soon. Just this past November, existing home prices jumped by a staggering 15% over the prior year. For sellers, this means they'll get their asking price or, if a war breaks amongst multiple buyers, even more. As a potential buyer, you need first to determine just how much mortgage you can comfortably carry.

As a good rule of thumb, your house payment shouldn't exceed 25% of your monthly net income. Also, if you want to beat out another buyer on a specific home, along with getting pre-approved, try to have at least a 15-20% down payment. Keep in mind that with 20%, you avoid PMI, which will reduce your mortgage payments.

Trend 3: Interest Rates Remain Low

The interest rates on mortgages now and expected further into 2021 are ridiculously low. Last summer, people couldn't believe it when rates dropped to 3.5%. However, by November, they declined further to 2.31% on a 15-year fixed-rate mortgage. Although interest rates have fluctuated somewhat, experts believe they'll stay right around 3% for the rest of the year.

One important note: Don't get sucked into the interest rate hype too much. Yes, as a homebuyer, this is excellent news. However, the key when buying a house is to make sure you can afford the monthly mortgage payment. So, make that your top priority. In that case, you'd consider the low-interest rate as the "icing on the cake."

Trend 4: Boom in Online Real Estate Services

While realtors will consistently market homes in person, there’s an uptick in the amount of time they spend marketing and selling houses online. Today, small and large real estate companies alike take advantage of the internet.

As someone who’s thinking about buying a home, this makes the process so much easier. At least initially, you can see photos and read a complete description of any property of interest. Here’s the crazy part: Due to the pandemic, you can even close on a house via a virtual meeting. Technology will continue to make a tremendous difference in helping both buyers and sellers in 2021.

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Trend 5: Increased Accessibility to “Risky” Buying Options

Some buyers consider this nothing more than an innovative way to snag a house in a seller’s market. One option is to rent a home to buy. Rent-to-own deals aren’t new, but they’re expected to gain some extra traction this year. A key benefit is that you wouldn’t be in a rush to come up with an acceptable down payment. Depending on the deal, you could have two years or more to clean up your credit and put money away in the bank.

Another “risky” option involves securing a personal loan for the money needed as a down payment. With interest rates on these loans also low, this provides an opportunity that some people might not otherwise have to purchase a home. However, unless the loan is paid off by the time you’re ready to put an

offer on the house, lenders might not qualify you for a mortgage due to the outstanding debt.

Knowledge is power

Especially when it comes to real estate, the more knowledge you have, the better off you are in the long run. So, staying up-to-date on home buying trends can prove highly advantageous for you. Some people worry about a market crash similar to what happened in 2008 and 2009. However, experts don’t believe that will happen.

The worst-case scenario is that price growth could start to slow down a little bit in 2021. However, at this point, interest rates remain a critical factor in attracting buyers to the real estate market. Whether you’ve had houses in the past or you’re a first-time homebuyer, getting all your ducks in a row will go a long way in helping to bring your dream of ownership to fruition.

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