

A primer on home buying and selling in this soft market

Greater Boston's limited housing supply, even in a softer market, means people can't necessarily afford to wait around for better borrowing conditions.

By **Cameron Sperance** Globe Correspondent, Updated April 12, 2023, 5:00 a.m.



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High mortgage rates, a regional bank crisis, and broader economic uncertainty have

thrown cold water on a housing market that hit record prices in 2022.

The median sales price of a single-family home in Greater Boston dropped nearly 8 percent year over year to \$700,000 in February, according to data from the [Greater Boston Association of Realtors](#). Softer demand stems from higher mortgage rates, but there are also fears the turmoil affecting regional banks — often seen as a source of more favorable loan terms than larger financial institutions — may further disrupt the housing market.

It's not as wild a seller's market as it was in February 2022, which saw the record high for median single-family home prices in Greater Boston. Buyers and sellers are both adjusting to this new normal.

It is more expensive to borrow money to buy a home these days, which means buyers who rely on mortgages can't afford as much as they would have under more favorable interest rates. It also means sellers are once again dealing with mortgage and inspection contingencies, two items frequently waived during a hot housing market.

Still, that doesn't mean buyers and sellers should necessarily wait things out.

“What are you waiting for? Are you waiting for interest rates to go down? Because of the limited supply, it's not like prices have plummeted,” said [Elaine Bannigan](#), a Wellesley-based broker at Douglas Elliman Real Estate. “As much as people would like to report that there's a price correction, there'll be a price correction when supply rises significantly. We'll be waiting a long time for that.”



"We have decreased seller demand like I've never seen," said Anthony Lamacchia, broker/owner of Lamacchia Realty. GLOBE STAFF; ADOBE STOCK/INK DROP - STOCK.ADOBE.COM

1. Can you negotiate the terms of your mortgage?

Yes, in some cases you can. Here's how.



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2. Touring homes? Take this checklist with you.

While nothing can substitute for a thorough inspection by a licensed professional, this list may help you pass on a few lemons.



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3. The Mass. housing market is still brutal. But there's a glimmer of good news.

Home prices didn't climb at a breakneck speed in Greater Boston last month, and more listings are on the market than at this time last year.

Sure, that 7.6 percent year-over-year drop in February was appreciable, but keep in mind: Prices are still well above prepandemic levels. The \$617,900 median single-family home price for Greater Boston in February 2020, right before the pandemic hit, is more than 13 percent lower than the median home price in February 2023 — and 30-year mortgage rates were about 3 percent less back then, too.

Greater Boston's limited housing supply, even in a softer market, means people can't necessarily afford to wait around for better borrowing conditions. Instead, Bannigan

advises clients to consider an adjustable-rate mortgage, go ahead with a purchase today, and refinance when the rates come down.

Mortgage options are out there

[An overview Redfin economists released](#) in March suggested waiting for rates to go down and to consider adjustable rate mortgages if you can't. "Borrowers should also consider [2-1 buydowns](#) or [adjustable-rate mortgages](#) to lower mortgage payments," Chen Zhao, Redfin economics research team lead, wrote on March 15. "And because rates are bouncing up and down, you may be able to get a lower rate than you were originally quoted when it's time to lock it in. Check with your lender."

Adjustable-rate mortgages usually begin with a fixed rate for a shorter period than a 30-year-fixed mortgage. One of the most popular ARMs, known as a 5/1, has a five-year fixed rate and then adjusts each year thereafter for the remainder of the term of the mortgage.

"There's real merit at this time on doing an adjustable-rate mortgage, and they were dead in the water when mortgage fixed rates were really low," Bannigan said. "Don't wait for rates to go back to their historic lows, because the chances of that happening are probably nonexistent."

A [Redfin analysis](#) in May 2022 noted that borrowers who took out a 5/1 ARM during the four weeks leading up to May 12 of that year ended up having a "typical monthly [mortgage] payment" of \$2,164 — \$260, or 11 percent less than buyers who signed on for a 30-year fixed-rate mortgage during that same timeline.

Those interviewed for this story emphasized that regional banks continue to play an important role in the home-buying process. Waiting for more favorable interest rates could work for those who can afford to wait, but don't feel like buying a home in the current climate is a nonstarter.

Along with ARMs, Redfin also noted that mortgage buydowns — where a buyer pays a onetime fee at closing to obtain a lower mortgage rate — are also something to consider amid high interest rates.

“Get quotes from several lenders and understand all of your options to lower your monthly payment, such as 2-1 rate buydowns or adjustable-rate mortgages. Take your lowest quoted rate to your preferred lender and see if they’re willing to match it,” said Daryl Fairweather, Redfin’s chief economist. “Many regional banks were unaffected by the recent financial turbulence, so I wouldn’t count them out, and there are mortgage lenders that are not banks themselves that could be a good option too.”

On the seller front, it largely comes down to managing expectations.

The power is shifting

A cooler housing market means buyers aren’t collectively trying to outdo one another with exorbitant offers well over asking that waive mortgage and inspection contingencies. Instead, buyers have more power now to come in with offers (slightly) below the asking price and to ask sellers to pay for repairs uncovered during an inspection.

Further, sellers shouldn’t be too “ambitious” or sky-high with their list price expectations, said [David McCarthy](#), president of the [Massachusetts Association of Realtors](#). Those who don’t heed this advice run the risk of having to lower their home price later.

“People who saw their neighbors sell homes last spring for well over asking price with multiple offers to choose from have had a big wake-up call over the last ten months as the market has cooled,” Fairweather added. “By this point, savvy sellers have adjusted

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better than overpricing and having to lower it later on.”

But if a home price drops, don't take that as a sign of greater tumult in the Boston market. Bannigan said there is still a supply-demand imbalance here that will likely take decades to remedy through a mix of new construction and [baby boomers](#) finally moving out of their homes.

“If the market perceives it to be a fair price, the chances are quite high of it still getting multiple offers and going over asking. It's just maybe not the way it was in the Wild West days of 2022,” Bannigan said. “We're seeing those houses be reduced in price. That is not a reflection of the market going down. It's a reflection of that they came out too high to start with.”

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