



2020 Might Be a Great Time to Sell Your Home

By HOUSING & MORTGAGE Rate.com

According to the Federal Reserve, the value of household equity in real estate has more than doubled since the 2012 housing bottom. CoreLogic, a real estate data firm, reports that among households with mortgages, equity is at a record high.

Not to be a killjoy, but there's a growing risk in that good news. Strong gains in home values throughout most of the country for more than seven years can give rise to a common psychological quirk that can undo a long-term financial plan. Recency bias is the human habit of presuming that whatever you've been experiencing recently will continue into the future.

For homeowners who have a soft plan of making a move in the next few years, chances are you're just assuming that when you are ready to sell the market will be as good as it is today.



Maybe so. Or maybe not. What you can count on is that right now there are key housing-market drivers that suggest 2020 could be a sweet spot for selling a home.

The expectation is that the economy will continue to grow in 2020. In a recent survey of more than four dozen economists, fewer than one in five expected a recession to start by mid-2020. But after that, the storm clouds thicken. By mid-2021, the same group puts at 70% the chance we will be in a recession. No one expects a reprise of the meltdown of a decade ago, but even a more benign recession is a headwind for trying to sell a home. Prices tend to soften, as does demand, because rising unemployment scares off buyers.

Even if we somehow skate by the next few years without a recession, mortgage interest rates are also in a seller's favor right now. Buyer demand is sensitive to mortgage rates. In October 2018, the average interest rate on a 30-year fixed-rate mortgage had risen to nearly 5%. That made buying more expensive, causing demand to soften a bit. Today, the 30-year fixed rate is back down to 3.6%. That's a nice tailwind for the buyers you want clamoring for your home, and if you're aiming to borrow for your next home, it works in your favor as well.

The issue of timing a home sale can be especially important for people in retirement planning mode. Are you a few years from retirement? Right now your recency bias might be lulling you into a mindset that when you're ready to retire in a few years, you will be able to sell your home quickly and at a price that is higher than it is today. Could be.

But what if your timing is off, and right when you want to sell we're in the midst of a recession that sets off a housing slump? If your retirement strategy includes reinvesting the capital gain from a home sale, you need to be comfortable with that gain potentially being lower than it would be if you sold into today's strong housing market.

You could also find yourself challenged by another psychological quirk called anchoring. This is the habit of not being able to let go of what used to be true. In housing terms, let's say your home is worth \$350,000 today. But what if when you go to sell it two years from now, we're in the midst of a recession, and the market value is \$325,000? Chances are you're going to fight your real estate agent on setting the asking price below \$350,000. You're anchored to that \$350,000. Or, you are anchored to "needing to be able to walk away with X dollars in net gain."

Depending on how that conversation plays out, you could be setting yourself up for even more frustration. Placing a too-high asking price on a home in a soft market typically causes the home to languish, and often leads to a price reduction that then boosts the confidence of home buyers to make offers that are below your reduced list price.

If you have the flexibility to consider a sale sooner than later, accelerating a home sale into 2020, eight years into a strong rebound in home values in many parts of the country, could be a smart way to book your profit and move on.

<https://www.rate.com/research/news/2020-sell-home>

