

## **How to Compete in a Hot Housing Market**

Buying a home in a hot real estate market takes patience and perseverance. Having a savvy buyer's agent doesn't hurt, either.

In a hot real estate market, home inventory is low, competition is high and as a buyer, you may feel like you're on an emotional rollercoaster. Although buying a home in a strong seller's market presents added challenges, it's still possible to get an offer accepted on a place you'll love.

### **What is a hot market in real estate?**

To figure out whether a housing market is hot, experts look at how many months of unsold inventory are on the market. This measure tells you how long it would take to sell all the properties for sale if no other homes were built or put up for sale — not a scenario that would really happen, but a helpful gauge of the availability of homes to buy.

Generally speaking, an inventory level of six months is considered balanced between buyers and sellers. Less is a [seller's market](#); more favors buyers.

### **Why is this such a seller's market?**

A shortage of homes for sale and inadequate levels of new construction have kept much of America in a seller's market in recent years. The COVID-19 pandemic exacerbated these

trends, with myriad buyers entering the market as fewer sellers were listing homes for sale and new construction was suffering from labor shutdowns and supply chain shortages. Even though homebuilders have [picked up the pace since then](#) — completing more than a million new single-family homes in 2023 — there are still more would-be buyers than available houses.

According to the National Association of Realtors, the U.S. had a 3.5-month supply of existing homes for sale in April 2024, meaning it would take 3.5 months for all those homes to sell at their current pace. (Existing homes are those that were owned and occupied before they were listed, as opposed to new construction.)

## **Tips for navigating a seller's market**

### 1. Start with a stroll — or a scroll

Spend some time looking at what's available before you get serious. Walk around potential [new neighborhoods](#) on the weekend and scan your favorite real estate website for new listings. Take note of how long homes are listed before a contract is pending. (In an especially hot market, it won't be long.) You might also want to look at recently sold listings online to get a sense of how much homes are really going for compared to their listing prices.

The idea is to get a sense of how hot the local market is without the pressure of feeling like you need to make an

offer. You'll also learn more about the kinds of homes and neighborhoods you like (or don't) and which features matter to you.

But don't fall in love with a house at first sight; doing so may lead you to overlook problems and, if you make an offer that's declined, suffer heartache.

## 2. Find a good real estate agent

Having a good [buyer's agent](#) is particularly important in a hot market. You want someone who'll alert you to listings as soon as they hit the market, if not before. Also, a good agent will know how to make your offer stand out.

Ask friends and colleagues for referrals to experienced agents, and interview a few. Ask the agents how they'll find listed homes in your price range and help you make competitive offers and negotiate with sellers. Learn about their communication and working styles. How often can you expect to hear from them? Will you work directly with the agent or the agent's assistants? Look for a professional with a style that meshes with yours.

Finally, don't hesitate to ask for (and actually check out) references from recent clients.

## 3. Expect to compromise

Holding out for "the one" may not be an option in a seller's market. It may be smarter to approach home shopping by

thinking about ways you could make a **"good enough" home** work.

Flexible expectations can give you more options in a hot real estate market. If there aren't many properties available that fit your criteria, you may need to find aspects where you can compromise.

Think about what's most important to you now, and if you see this as your potential **forever home**, your plans for the future. Maybe a third bedroom can be a guest room for now, and a nursery later if you're planning to have kids.

#### 4. Have your financing lined up

Compare mortgage interest rates from several lenders, and get a **mortgage preapproval** from two or three lenders. Official **Loan Estimates** will help you compare interest rates and costs to find the best deal for you.

In any market, a preapproval shows sellers that you're serious. In a hot market, your agent may have to confirm that you're preapproved in order for you to view a property in person, either because sellers are anticipating many offers or they simply want fewer strangers in their homes

#### 5. Offer a can't-miss closing

Especially if you're **competing with cash offers**, you'll want to show sellers that you can definitely close the deal. A preapproval gives you a leg up here, because it

demonstrates that lenders find you creditworthy. Making a larger down payment can also be enticing to sellers.

The best offer isn't always the highest offer. Being flexible about the closing and move-in dates can win over sellers who have concerns about timing.

Your agent can communicate with the [listing agent](#) to get behind-the-scenes information like whether the sellers will need time to find new digs or are ready to move out and looking for a fast closing.

## 6. Keep the home inspection simple

In a hot market, it may be tempting to [waive the home inspection contingency](#). But if the home inspection turns up a worst-case scenario (like dry rot or structural damage), you want to be able to back out of the deal.

One way to reduce sellers' concerns and still protect yourself is to agree not to request repairs that would cost less than a certain threshold, such as \$500 per repair or a total of \$5,000. That way the seller knows they're not going to be nickel-and-dimed.

## 7. Sweeten your offer

Aside from waiving [contingencies](#), there are other ways you can make your offer more enticing to sellers. Introducing the possibility of a rent-back agreement or setting out a closing timeline that will work well for the sellers can help.

In a multiple-offer situation, you might consider an escalation clause. That means you'll automatically outbid any offer by a given amount (say \$1,000) up to a certain point. However, some agents advise against escalation clauses because they're burdensome for sellers and advise instead just to make your best offer. Some buyers write "[love letters](#)" to sellers, saying something about themselves, why they love the home and how they plan to live in it. But these are problematic, as they can perpetuate housing inequality and introduce the possibility of Fair Housing Act violations, even if unintentionally.

Ideally, sellers should make their decision based on business factors like the offer amount, how well the buyer's closing timeline aligns with theirs, and how likely the offer is to close — for instance, how much down payment the buyer is putting up — rather than personal factors like whether the buyers are a couple planning to start a family or a single person with a dog that will enjoy the fenced yard.

## 8. Be patient

In July 2022 through June 2023, home buyers typically searched for 10 weeks and looked at a median of seven homes, according to the NAR's 2023 Profile of Home Buyers and Sellers.

In this market, you may make a good offer and not prevail. If you lose out on several homes, you might feel tempted to make a desperation bid or give up. Don't do either.

Bidding too much or making an offer on a home you don't really like could leave you resentful and [house poor](#). Meanwhile, giving up and continuing to rent may give you more time to set aside down payment funds, work on your credit score and fine-tune your homebuying wish list.

If you're frustrated, you're not alone. But since you can't control how hot your real estate market is, focus on what you can control. Knowing what's a reasonable offer in your market, limiting your contingencies to what's vital and having your financing ready to go will have you primed and ready when the right house comes along.