

How To Buy and Sell a Home at the Same Time—in Today’s Haywire, High-Interest Rate Housing Market

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Buying a house while simultaneously selling your current home is always a treacherous tight wire to traverse—but in today’s high-priced, high-interest-rate housing market, it’s both a blessing and a curse.

The good news for home sellers is that over the past year, demand for homes has driven prices through the roof, pushing home equity to record levels. Homeowners are essentially sitting on a pile of cash, which would definitely come in handy if they start shopping for a new home.

Yet any homebuyer out there today will also face steep mortgage interest rates, which have more than doubled over the past year to the 7% range. This has raised the cost of housing by around 70% compared with a year earlier, according to a recent analysis by Realtor.com® Chief Economist Danielle Hale.

Most sellers who move would need to get a new mortgage, at a higher rate. It’s no wonder, then, that many are deciding to stay put.

“Two-thirds of homeowners right now are sitting on a sub-4% mortgage, and about a quarter are sitting on a sub-3% mortgage,” says Lisa Sturtevant, chief economist of the Bright MLS. “And so you can imagine existing homeowners, even if they wanted to move, are really reluctant to give up their very favorable mortgage rate. It’s like golden handcuffs where you’re locked in.”

Still, it’s worth noting that some home sellers might be able to justify and absorb the higher interest rates since their home sale will likely bring a windfall of cash. And in theory, that money could go toward making an all-cash offer on their next house—and getting a very good deal on it, too.

“With home prices still high and buyer competition thinned out due to high mortgage rates, it may be a good time for some sellers to make a move, especially those who may not need a mortgage to make their next home purchase,” says Hale.

Still, an all-cash offer is a lot of financial eggs in one big basket. Is it worth the risk?

If you’re one of these homeowners sitting on a nice chunk of equity and looking to sell your house and buy another at the same time, there are ways to navigate today’s current financial terrain to your advantage.

Should home sellers buy or sell first?

The first question most home sellers ask themselves is: Should I buy or sell first? Each decision comes with its distinct pros and cons.

“Buying first gives you an opportunity to move out before putting your prior home on the market,” Hale says.

This helps a seller avoid the headaches of living in a home that is for sale, which means keeping it in pristine condition and being ready to vacate often (and at short notice) when buyers want to stop by for a tour.

On the other hand, “Selling first lets you know just how much you’ll make on the sale before shopping for your next home,” Hale says. “But it may mean finding a temporary place to live in between.”

Hale suggests asking yourself the following questions if you’re planning to sell and buy at the same time:

- Where do I want to live next?
- How disruptive will it be to have the home I live in on the market?
- Can I handle the possibility of two mortgage payments—and if so, for how long?

While buying first allows you to avoid the annoyance of finding temporary living quarters and moving twice, it's definitely more risky financially.

If your old property does not sell quickly, you could end up paying for two properties at once. This is a particularly strong possibility right now, since homes are lingering longer on the market than they did last year, and the market is bound to get even more sluggish if mortgage interest rates remain high and as we glide toward (and beyond) the holidays.

Options for sellers who want to buy first

For those who do want to buy first, "there is some risk, but also some great upside if done correctly," says Mark Hardy, managing partner at Churchill Mortgage in Orange, CA. "There are bridge loans that will allow for short-term use of equity from your current property to serve as a down payment for the next property if this is needed. This can position you to make a noncontingent offer and secure a much better price or better terms."

Current rates on bridge loans range from 6% to 16% with the idea that you're paying off the loan as quickly as possible, as soon as your original house sells.

Homeowners who want (or need) to sell quickly (because you've bought a new home or for other reasons) also have many new options today for getting a sale through fast.

"One bright spot for today's sellers is that there is much more innovation in the real estate landscape and ways to get assistance with buying and selling at the same time than ever before," Hale says.

For instance, sellers can skip the traditional listing process entirely and field offers from investors and iBuyers who'll buy their home quickly with all cash. (These options are explained in more depth at [Realtor.com Seller's Marketplace](#).)
(FROM Twilight Developments Inc. - we also have investors ready to buy properties - give us a call!)

Options for sellers who want to sell before buying

For homeowners who prefer to sell first, one way to avoid moving into temporary accommodations is to negotiate a lease-back from your home's buyers—where they agree to let you remain in your current home, paying rent, until you find a new home you want to buy.

Just keep in mind that, even after your home sells, it may be a while before you see that money.

“Getting the proceeds from the sale of your home can take some time, maybe longer than you expect,” warns Hale. “So if you’re trying to time the purchase and sale of a home, be sure to allow enough time for the proceeds from your home sale to be in hand before you schedule your closing purchase.”

Should sellers make an all-cash offer if they can?

If you've built up some sizable home equity and your home sale gives you enough to make an all-cash offer on your next place, that's an attractive prospect in today's high-interest-rate environment. It can also get you a deal since all-cash offers typically result in a 3% to 4% discount over a financed offer, Hardy notes.

An all-cash offer might also be tempting to try since it will likely set you apart from any competition you may have from mortgage-backed buyers. That said, you should not feel the need to funnel all your proceeds into an all-cash offer if that makes you uncomfortable or stretches your finances too thin.

“Don't pay in all-cash because you think you have to be the most competitive offer,” Sturtevant says. While all-cash offers ruled during the ultracompetitive market last year, that's no longer the case today.

Another option that's less risky but still helps your offer stand out is to finance a smaller portion of the property.

“If there’s an opportunity to put 50% down, it makes it a little bit easier to swallow that bitter pill of a 7% mortgage rate if you’re financing a lower loan,” says Sturtevant.

Hale adds that “with mortgage rates near two-decade highs, minimizing the amount of borrowing you need to do to buy a home can make a big difference.”

Another option is to make an all-cash offer, then get a mortgage on your home later once interest rates go down.

An alternative to all-cash offers: Become a certified homebuyer

Homebuyers without as much equity built up in their home have other ways to keep their offer on new homes competitive. Hardy points to the strategy of becoming a “certified homebuyer,” which allows sellers to close quickly, without the need for a loan contingency.

Similar to a mortgage pre-approval process, the process of becoming a certified homebuyer requires proof of income, assets, employment, identity, and credit score. The difference is that all financial documents are reviewed by an underwriter, which gets you conditionally approved for financing.

“We’ve found this is a great way to help a seller feel very comfortable in accepting our client’s offer and secure terms quite close to what a cash offer would receive,” Hardy says. “The end result is that a buyer can better use the cash—and can now reinvest as desired—and has also purchased a new property at a much better price.”