

Top Seattle Realtor Shares Two Things to Do Before the Housing Bubble Collapses

Aaron Hendon is a top Seattle Realtor, best-selling author, and speaker. His advice: don't believe the hype (ever).

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-- Everybody is fascinated with the current state of the housing market, and with the homeowners gaining 17% equity in 2021, on top of the 11% they gained in 2020, it's only natural for people to wonder when it's all going to come crashing down.

A quick search on Google for the term "housing bubble" returns about 70+ million web pages, which could leave consumers thinking they might get a clear picture of what's going to happen.

Evidence suggests the opposite is more likely to be true.

A recently published study from the University College of London, shows people are not reading articles online as much as "power browsing". The study suggests that we are, in fact, going online "to avoid reading in the traditional sense".

In fact, reading something online is distinctly different from reading it offline. In the book, *The Shallows: What the Internet Is Doing to Our Brains*, which was a finalist for the Pulitzer Prize, Nicholas Carr makes the case, and backs it up with ample neuroscience, that technology is inducing an intellectual decay in our brains.

In looking at housing prices and if/when the bubble will pop, Aaron Hendon, Managing Broker with eXp Realty in Seattle says the 70 million sources for information is almost certainly a detriment to consumers finding the answers they want.



Are home prices in a bubble?

"For one thing" Hendon suggests, "it's critical to consider the degree to which people are impacted by the Dunning Kruger effect."

Brittanica.com defines the Dunning Kruger effect as "a cognitive bias whereby people with limited knowledge or competence in a given intellectual...domain greatly overestimate their own knowledge or competence in that domain..."

Hendon points out this means "While people are skimming the internet, not reading anything in-depth, they're picking and choosing what they read based largely on their own confirmation biases, and then thinking they have enough information to form an intelligent course of action."

He warns "Having a little knowledge can be a dangerous thing and acting on it can be a costly mistake."

To prove his point Hendon refers to three recent headlines from major media outlets: a recent article in Forbes claims, "The Housing Boom is Not a Bubble", while over at CNN Business the message is, "No One Seems Worried About a Housing Bubble. Just Like Last Time the Bubble Burst" and the folks at Financial Times seem to think we're in "A Different Kind of Housing Bubble".

"Which one a consumer chooses to act on" Hendon suggests, "is more likely a function of their own biases and predetermined views than it is the veracity of the source."

Hendon's advice for the consumer? "Stop looking for easy answers. Unless you are going to dedicate an extraordinary amount of time to analyze all sides of this puzzle the only honest thing to say is "I don't have enough information to form an intelligent opinion."

He suggests a rational approach to the question of the housing bubble comes down to two things:

1. Stop "waiting for the bubble to pop". Nobody has a crystal ball and trying to time the market is a fool's errand (there are literally over 70 million opinions on what's going to happen).
2. Don't overextend yourself – every investment has the potential to lose money so make sure you have reserves saved up just in case.

"Acting in this way allows you to move forward, using the information you actually have, confident your choices are based in reality, not conjecture."

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Ditch Your Landlord will help you navigate the roadmap to homeownership. Managing Broker Aaron Hendon is a top producing agent for Christine & Company with eXp Realty, a six-time winner of a Five Star Real Estate Agent Award, and author of Shortchanged by Shortcuts? 44 Surprising Ways People Rip Themselves Off When Buying or Selling Their Home. He's been featured on NBC.com, CBS.com, Yahoo Finance, Fox.com, Realtor.com, and dozens of real estate podcasts. For more information, visit him on Instagram, Facebook, or LinkedIn. For additional information, visit www.ditchyourlandlord.org

Aaron Hendon

Christine & Company | eXp Realty

+1 206-280-3312

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