

Real Estate is always a good there is no better time to buy

By Mike Butrum

We can always count on national media to spin negativity, whether it's about politics or real estate. If we polled the public and asked whether the national media helps or hurts our ability to make a living, not to mention our overall attitudes, would it be fair to say that the majority would vote that it hurts.

Certainly, the first amendment allows freedom of the press, which is generally a good thing. Unfortunately, it doesn't guarantee accuracy. We can always count on "Spin," but not choice. Choice in what we read and, more importantly, what we choose to believe is up to us as individuals.

The numerous negative articles we read and TV news stories we view almost always give a distorted picture of the market and actually create pent-up demand. Potential home buyers will put off purchasing a home because they are frightened by what they have read and seen. They decide to wait because they see real estate prices dropping and are afraid prices will continue to drop, lowering the value of their investment.

How can we ever be sure we have purchased anything at the lowest possible price?

Rather than perpetuating the negativity, let's examine some alternatives, some positive facts. What would happen if we published an alternative positive message?

Consider the following:

- Real Estate is a good long-term investment. On average, the value of a home nearly doubles every 10 years. You will no doubt hear that this is not true if one factors inflation out of these figures. Let me ask: are inflation and appreciation real figures? If so, the statement is true.

- 60 percent of an average homeowner's wealth comes from their home's equity.

- REALTORS® can sell your home faster and for more money than you can yourself.

- Over the past 30 years, home values have increased more than 6 percent annually.

- The average homeowner's net worth is \$171,000- that's nearly 46 times that of a renter who has an average net worth of \$4,800.

Homeowners benefit from the power of leverage. At an annual appreciation rate of 5 percent, a 10 percent down payment will return 94 percent after 3 years. After 5 years, it's 225 percent and

after 10 years, 623 percent. These numbers are based on a report by Harvard University Center for Housing Studies.

Here's my message to you: Ignore the headlines. Shun the predictions of doom and gloom. Consider this – housing is in a hole at the moment. But why not view that as a potent case for buying? Prices are down. Interest rates are low. Now is the perfect time to buy. Historically, the real estate market runs in cycles. We are now in the low point of the cycle which will turn, just as it always has in the past. Buy now and ride the cycle back up to the top.

Consider a typical home that sells for \$218,000. You put down 20 percent and get a 30 year fixed-rate mortgage at today's rate of 5.5 percent. Monthly principal and interest come to \$994.31. Let's say that 12 months from now the same house sells for 10 percent less, or \$197,010. Let's also suppose that in 12 months, the housing market will rebound. National home sales rose 2.9 percent percent in February, according to the National Association of REALTORS®. It's a sign the market is stabilizing, the NAR says.

Suppose the Federal Reserve starts to jack up rates to stem inflation. If mortgage points then



investment and than right now

rise one point to 6.5 percent, your monthly payment is still \$994.94 and you have saved nothing. Under this very likely scenario, you lose by waiting. So let me know, what would you rather be reading: doom and gloom or the facts based on solid analysis offered by credible institutions and historic data?

Real Estate is local. Our area is going through

an adjustment. But if you were a betting person, which way do you think our local real estate market will go in the future?

There is no better time to invest in real estate than right now. By the way, regardless of the market fluctuations, your home, in addition to being a good long term investment, can still be used as your home. No one can dispute this fact.

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