



REALITY CHECK: THE TOP 10 REASONS TO CONSIDER BUYING NOW



Housing is a key driver of the economy and continues to be a strong long-term investment for most American households. In fact, homeownership is how many American families begin to accumulate wealth, according to studies by the National Association of Realtors® (NAR) and the United States Federal Reserve Board.

So why are some people holding off on buying a home in today's market? Some chalk it up to a hope that interest rates will fall further. Others hope that home prices will continue to fall.

Right now there are several key reasons that make it a good time to buy. But that won't last forever and buyers need to be aware of the pitfalls they may encounter should they wait. Here are the Top 10 Reasons to Consider Buying Now.

1. Increased Jumbo Loan Limits Are Set to Expire on December 31, 2008. The recent increase of the jumbo loan limits by the government is helping add favorable terms into the marketplace which translates into easier qualifying and affordability for buyers. But those increased jumbo loan limits won't last forever and are set to expire on December 31, 2008. While the new loan limits vary across Colorado, they are now \$406,250 in the Denver area. Previously, the maximum FHA loan limit in Denver was \$308,370—an increase of nearly \$98,000 according to the Department of Housing and Urban Development.

By purchasing a home under the increased loan limits, you may enjoy a savings. Just take a look at this example, based on 30-year fixed rates at no points as of June 30, 2008, according to Mortgage Broker Coldwell Banker Home Loans:

Example 1 With Increased Loan Limits

Loan Amount	\$407,000
Interest Rate	6.625%
Monthly Payment	\$2,608

Example 2 Once Increased Loan Limits Expire

Loan Amount	\$407,000
Interest Rate	7.625%
Monthly Payment	\$2,873

As you can see, in an apples to apples comparison as reported by Coldwell Banker Home Loans, just by waiting until the loan limits expire you could potentially pay up to \$265 more per month on the exact same house and loan. For some, that is equivalent to a car payment or some other critical budget item that could tip you in or tip you out of buying a home today.

2. Despite fluctuations, current financing rates are allowing you to get more for your money—but it won't last forever. An increase in interest rates, even by just a quarter of a percent, will decrease affordability of homes; so much so that you may not be able to afford the home that you want today and you may have to purchase less than you might want or need. Just take a look at the following examples as reported by Coldwell Banker Home Loans:

FHA Loan Example

Purchase Price	\$250,000	\$250,000	\$250,000
Down Payment (3%)	\$7,500	\$7,500	\$7,500
Loan Amount	\$242,000	\$242,000	\$242,000
Interest Rate	6.5%	7%	7.5%
Monthly Payment	\$1,533	\$1,613	\$1,696

Conventional Loan Example

Purchase Price	\$600,000	\$600,000	\$600,000
Down Payment (10%)	\$60,000	\$60,000	\$60,000
Loan Amount	\$540,000	\$540,000	\$540,000
Interest Rate	6.5%	7%	7.5%
Monthly Payment	\$3,413	\$3,593	\$3,776

As you can see, if interest rates inch up, even by just a 1/2 percent, you could potentially price yourself out of the market.

Important to note, too, is the fact that in the last month, interest rates have begun to climb. In fact, according to Bloomberg's June 27, 2008 article entitled *Homes Less Affordable as Prices Fall, Rates Rise, Zillow Says*, "Monthly payments on 30-year fixed mortgages are 6 percent to 10 percent higher in 41 of the top U.S. housing markets than they were two months ago." The article also reports that "Rising mortgage rates are driving up the cost of buying a house even as prices fall, making property more expensive across the U.S., according to a new study by Zillow, an online provider of home valuations." What does this mean for you? If you want your purchasing power to remain strong in today's market, you may want to consider acting now, before it is too late.



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If you're waiting for interest rates to drop more, you may want to reconsider. *Realty Times'* June 19, 2008 article entitled *Real Estate Outlook: Buyers Off the Sidelines* reported, "The Federal Reserve is signaling that it's worried about inflation—the Consumer Price Index took a jump last week as well—and the Fed may not cut rates again for a long time."

3. Real estate is a strong, long term investment. Many buyers are concerned about falling prices and the possibility of paying too much for their home. But it must be remembered that real estate is not the stock market and the purchase decision should be made for the long term. Just look at how our market has fared over the last 14 years, according to the Colorado Association of Realtors (CAR):

Statewide	1994 Median	2008 Median	% Increase Since 1990
Colorado	\$98,306	\$117,200	20%

County	2008 Median (April)
Metro District	\$222,938
Gunnison	\$425,000
Summit	\$560,000
Telluride	\$2,875,000
Boulder	\$376,429
Estes Park	\$370,000
Fort Collins	\$235,965
Greeley	\$174,000
Logan	\$76,667
Loveland	\$205,882
Morgan County	\$113,333
Craig	\$140,000
Grand Junction	\$226,515
Pikes Peak	\$206,623
Pueblo	\$103,043
Royal George	\$127,500
Pagosa Springs	\$239,286

Furthermore, since record keeping began in 1968 by NAR, the national median existing-home price rose every year through 2006, even during recessions and periods of sales decline. Typically, in a balanced market, home values rise at the general rate of inflation plus 1.7 percentage points, according to NAR.



4. In order to build wealth, you should consider having real estate in your investment portfolio. Many people choose to invest their money in the stock market. And while stocks can be a lucrative way to improve your financial situation, there is another, arguably better, method. Stability is key to building wealth and stocks, in most cases, don't compare with the stability of real estate. When you purchase real estate as an investment you can potentially get more for your money.

5. Today's market may offer a particularly good opportunity to buy investment properties. While the recent slowdown in the housing market has softened prices for home sellers, it has also resulted in an unusually good opportunity to buy rentals and other investment properties. Inventories of homes for sale have climbed steadily over the past two years, which has put downward pressure on prices. In particular, the large number of bank-owned properties, or REOs, has resulted in an increased inventory. Banks are not in the real estate business and are usually anxious to get the properties off their books. As a result, many properties that are REOs are selling at discounted prices.

6. The potential benefits of real estate as compared to stock. With stocks, \$200,000 will buy you exactly \$200,000 worth of stocks, no more, no less. However with real estate, that same \$200,000 can, if you qualify for the necessary financing, enable you to buy a home that is priced at approximately \$1,000,000. If both of these investments increase in value by 10% you will have only a 10% return on your stock money and a 50% return on the money you invested in real estate, less any costs and expenses of real property ownership.

7. There are a lot of homes to choose from right now. The large supply of homes on the market clearly favors buyers and it should take several months to draw the inventory down. Regardless of price range, in most markets, there are plenty of houses from which to choose. There's a great selection of attached homes, condos and





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townhouses. You have many options. When resale inventories are low, buyers are forced to make compromises.

But while that news is good, like most reasons to buy now, it won't last forever. *CNNMoney.com's* June 24, 2008 article entitled, *On the Path to a Housing Rebound* reported, "The news that housing starts have fallen to their lowest level in 17 years sounds like one more reason to be depressed about the shrinking value of your home. In fact, it's an almost certain sign that the path of a housing recovery is finally in sight." The article goes on to report that, "Now that excess supply is finally beginning to shrink. In April, the number of new homes for sale stood at 456,000 according to the U.S. Commerce Department, still a big number but 93,000 below the mountainous figure a year ago."

8. Homes are among their most affordable since 2004. Home prices have dropped so quickly and so far that valuations—the differences between what a home should cost and its actual prices—are the lowest they've been since 2004, according to March 5, 2008 CNN article entitled *Housing: Best time to buy in four years*. The article said, "The Cleveland-based bank National City Corp, together with financial analysis firm Global Insight, revealed Tuesday that more than 88% of the 330 housing markets surveyed showed price declines and improved affordability during the last three months of 2007." The article went on to report a quote from National City's chief economist, Richard DeKaser, noting "Housing valuations are almost back to long-term norms." He called current affordability "the best in the past four years."

9. Inflation may be on the horizon. The litany of bad news has hit all sectors of our economy—from falling home prices, rising food and energy prices, the credit crunch and a deteriorating labor market. According to *Realty Times'* June 25, 2008 article entitled *Realty Viewpoint: More Signs Housing Nearing Bottom*, "Home prices have receded while consumer prices for food and gas have doubled since 2004." The article went on to report that, "The stock market has lost trillions in gains. The DOW has dropped from over 14,000 points to below 12,000 for the first time since 2006. The only thing that isn't down is unemployment, up to 5.5 percent from 4.5 percent this year."

If history is any indicator, with this news comes the likelihood that the Fed will look to increase interest rates as a way of combating the inflation pressures.

10. The market may be changing! While pundits have been calling for a bottom for months, the fundamentals suggest we're close. Two recent reports back that up. The S&P Case-Shiller index, a widely followed measure of home prices in 20 metropolitan markets nationwide, reported that Denver rose nearly 1% in April from March, bucking a national trend of declining home values. While the index for Denver dropped year over year by 4.7%, that was better than 16 of the 20 other metro areas.

Another study, this one by Zillow, the company that estimates values of individual homes, reported that the Denver area did have a 5% decline in the first quarter of this year compared with the last year. However, that performance was better than two-thirds of the metro areas surveyed – many of whom had double-digit declines.

At the same time, Colorado's economy continues to strengthen as the state attracts more jobs. The area's many business assets include a robust high-tech sector, a well-educated workforce, stable housing market, and strong transportation infrastructure. These attributes are helping to build Denver's reputation as one of the nation's best places for business.



Finally, *Realty Times'* June 19, 2008 *Real Estate Outlook: Buyers Off the Sidelines* reported "The Mortgage Bankers Association of America reports that in its national survey last week, applications for new, conventional loans to buy houses jumped by eleven percent—and applications for FHA insured mortgages were up by seventeen percent!" The article went on to report that, "With home prices sharply discounted in many of the former high-flying boom markets, and down slightly in many other areas, smart buyers are recognizing that it's time to make their move."

As you can see, for the first time in a long time, buyers are in the driver's seat. At least for now, in most markets, you can get a great value on a home. But this favorable market may not last forever and if you intend to buy a home, now may be the best time to enter the real estate market.

If you are ready to learn more about the opportunities available to you in today's housing market, please contact me today. I am a professional Realtor® who can help you analyze your position in today's market. If you need to sell your home—even if you have to discount it based on the current marketplace—together we can look at your total equity position to determine the best steps based on today's market conditions.

I would be happy to help you make a good, sound decision. Please contact me today.

