



HOME BUILDERS ASSOCIATION
of Dayton

Why It's Time to Buy a New Home

By Marty Coates, President
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For those whose homeownership aspirations have been dampened or temporarily derailed by the housing and economic downturn—the people wondering if this is a good time to buy—the answer is simple: Yes. It's a great time to buy.

Today's market, coupled with a temporary tax credit for first-time home buyers and near-record low mortgage interest rates, provides an unprecedented window of opportunity for prospective home buyers.

In fact, there may never be another buyer's market as good as today's.

Opportunity of a Lifetime for First-Time Buyers

On Feb. 17, President Obama signed the American Recovery and Reinvestment Act of 2009 into law. As part of \$787 billion in economic stimulus measures, the legislation created a home buyer tax credit that is bigger and better than the previous credit that was implemented in July 2008.

The Web site www.FederalHousingTaxCredit.com explains in detail the provisions of the new tax credit. In a nutshell, it:

- Provides a tax credit equal to 10 percent of the sale price of the home, up to an \$8,000 maximum. Is a true tax credit. It does not need to be repaid, unless the home owner sells the home within three years of the purchase.
- Can only be used with the purchase of a home that will be the buyer's principal residence. It cannot be claimed for the purchase of a vacation home or property to be used as a rental.
- Available to first-time home buyers only. A first-time home buyer is defined as someone who has not owned a principal residence for three years or more.

- Applies to homes purchased by qualified buyers between Jan. 1 and Nov. 30, 2009. The purchase date is the date when closing occurs and the title transfers.

Ample Choices

An outstanding selection is another reason that it's a good time to buy. Available inventory is probably the best it will ever be, providing buyers with a great choice of homes.

Many local builders have inventory that is "move-in ready," and they may offer upgrades or other incentives to seal the deal. Likewise, owners of existing homes who are looking to trade-up or relocate are ready to bargain.

Attractive Pricing

If there's a silver lining to the housing downturn, it's that homes are more affordable. In the Dayton region, prices have not have declined as much, but for the most part, they didn't rise as high or as fast as prices in the hottest markets. Prices have moderated significantly in many other areas especially the high-flying major markets such as Florida, California, and Nevada, where they increased the most during the boom that recently occurred in many parts of the country.

Low Interest Rates

Like inventory and pricing, mortgage interest rates are at favorable levels. And even though lenders are looking more closely at buyers than in recent years, qualified buyers should not have trouble getting financing. For several years, mortgage rates have been near record lows. But rates can, and do, change.

No one is predicting that rates will suddenly surge upward, but they don't have to increase much for monthly mortgage payments to rise from affordable to prohibitive.

Greener and Better

With high energy costs near the top of consumer concerns, it's good to know that new homes today are more energy and resource-efficient than ever before. Through the use of new materials and construction techniques, today's homes are built twice as energy efficient as new homes a generation ago, making them more affordable to own and operate.

Homeownership provides important benefits to owners and to the nation.

Tax Benefits: For Home Owners Only

Unique tax benefits that apply only to housing also help lower the cost of homeownership. Both mortgage interest and property taxes are deductible. Moreover, profits of up to

\$500,000 on the sale of a principal residence (or \$250,000 for a single owner) are excluded from tax on capital gains.

The Power of Leveraging

Leveraging is another advantage of homeownership. A buyer can purchase a home and receive the benefits of homeownership with a cash down payment that is only a fraction—as little as 10 percent or less—of the total purchase price. However, the buyer's return is based on the property's total value. This is called leveraging, and it makes the rate of return on a home purchase much greater than on another investment with the same value where the buyer must put up the entire purchase price.

If a buyer makes a down payment of \$15,000 on a \$200,000 home and the home's value increases to \$205,000, then the home owner's equity (the value of the home minus mortgage debt) has increased from \$15,000 to \$20,000. That's about a 33 percent increase.

Building Personal Wealth

For most Americans, homeownership is a primary source of net worth and an important step in accumulating personal wealth and assuring financial security. Today, even though property values have declined in some markets, Americans have a total of \$9 trillion in equity in their homes, and for most Americans home equity represents the largest share of their net worth.

There Really is No Place Like Home

Despite the positive financial aspects of homeownership, a home cannot be valued in monetary terms alone because it is so much more than just an investment.

Not only can homeownership be a steppingstone to greater financial security, it provides a permanent place to call home and great personal satisfaction. Academic research shows that homeownership results in a wide range of social benefits. Moreover, benefits aren't limited to individual households.

Homeownership strengthens both the nation's people and its communities. It is truly a cornerstone of the American way of life.

What about the What ifs?

Given the past turmoil in the housing and financial markets, many people who wanted to buy homes sat on the fence, either waited for the market to bottom out or fearing that it never will.

Currently we are seeing small signs that the housing market is beginning to turn. These signs may quickly change some of the benefits of buying your new home. Even more the reason to seriously consider purchasing your new home now.

Moreover, attempting to “time the market” is a strategy that rarely works; by the time it’s clear that a market has turned around, it’s too late to take best advantage of the conditions at the bottom, even more the reason to seriously consider purchasing your new home now.