



HOME BUILDERS ASSOCIATION
of Dayton

**When it comes to housing in these times,
there are many questions – part two.**

By Greg Vreeland, President
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Last week I shared with you some questions that I have been asked recently. This week I will continue with a few more:

Q: But wouldn't it be better to "play it safe," keep renting, and wait to see if prices go down further?

A: The best way to "play it safe" is to actually buy a home. And here's why. Studies show that owning a home is the best way to build household wealth. The sooner a person owns a home, the faster they begin to build up equity and wealth. When you buy a home, you are also purchasing price stability, knowing that you will pay the same monthly payment for the life of your 30-year, fixed-rate mortgage.

Now consider the current rental market. While home prices have been moderating, rents continue to rise. Where is the economic security in not knowing how much your rent will increase in the next three years? You don't receive any tax benefits from paying rent, nor do you accumulate any price appreciation, as you would if you owned a home of your own.

All of the economic fundamentals show that this is a good time to buy a home. And continuing strength in rental demand signals that there is upward pressure on rental apartments. The real risk isn't in buying a home, it's continuing to rent.

Q: Interest rates have come down in recent weeks. I think they will continue to move even lower, so shouldn't I wait until that happens before I decide to buy a home?

A: Interest rates for 30-year, fixed-rate mortgages currently stand just above 6 percent and are extremely favorable for buyers. In fact, they are hovering near 30-year lows. But waiting to time the market is a dangerous – and losing -- game. Even those who follow the market for a living can't figure out when interest rates will bottom out. If they

could, they would all be multi-millionaires. Because interest rates are near historic lows, it is much more likely that they will head higher in the future as opposed to moving even lower.

And home prices don't necessarily move in unison with interest rates. So, if you decided to roll the dice and wait to purchase a home, and the price were to actually drop \$10,000 from where it is today, you could still end up losing money. How? If interest rates were to move up by a half-a-point during this period, the savings on the reduced home price would be more than offset by the higher monthly payment you would be making over the life of the loan.

In short, the smartest and safest time to buy is now. We know that interest rates are low today. We know that home prices are down. We know that there are plenty of homes on the market to choose from. We know that sellers are willing to bargain. And we know that builders are willing to offer attractive incentives to get your business. Any, or all of these favorable variables could change for the worse six months from today.