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# Timing The Housing Market?

Price + Selection + Low Interest Rates



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**Buying a home can be compared to investing in the stock market.** Purchase of stocks at a low with an anticipation of an increase in value is viewed as a strategically sound move. Housing is no different except you are not investing YOUR cash. You are making your decision based on affordability which equates to monthly payment. It often has little to do with the overall actual cash amount involved. That is why timing the real estate market is exceptionally challenging. You need to factor home prices, interest rates AND selection to truly determine if you are “getting a great deal”.

**Are we at the bottom?** Hard to know. As home prices have experienced a correction over the past 18 months many “great deals” have been inked. What we do know is current incentives to buy are amazing. From below market rate financing packages and historically low mortgage rates, to tax credits valid through year end. If you are waiting, you may miss the perfect mix of PRICE + SELECTION + LOW INTEREST RATES. I meet few buyers who make a home selection primarily based on it being a great price.

**Getting the best home value is the combination of home price AND mortgage interest rates.** Consider the following scenarios that compare the relationship of home price to cost of money, interest rates. Selection is subjective.

**Buyer A**

Buys his dream home in March.  
 Takes advantage of affordable home prices AND low interest rates.

**Home Price**                    \$400,000  
**80% Loan Amount**        \$320,000  
**Interest Rate**                4.750%

**Monthly Payment**        \$1,669

**Buyer B**

Waits six months until September for home prices to “hit the bottom”. He pays slightly less in price, but slightly more in rate.

**Home Price**                    \$388,000  
**80% Loan Amount**        \$310,400  
**Interest Rate**                5.250%

**Monthly Payment**        \$1,714

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Assumes 20% Down Payment. These calculations are for example purposes only and are based on the loan amount and interest rate designated. These figures are calculated on a 30 year fixed rate term. There are no APR's included as these are not rate quotes.

**Focus on the future**

Real Estate is still a great investment. Yes, foreclosure rates are higher than we have experienced in decades, but lending practices were also more lenient than we had seen in decades. The majority of foreclosures are taking place because some people bought homes they couldn't truly afford. Ignoring factors like savings rates, economic uncertainty, and potential job loss and pursuing dream homes became all too commonplace. That is the segment of the market that is now correcting. Take some comfort in knowing the U.S. housing market includes 110 million homes. Worst case projections estimate 2 million will be foreclosed on by the end of this slump. That leaves 108 million people keeping their mortgage commitments and staying in their homes. That leaves a strong thriving investment tool intact! Real Estate.

**Will housing prices go lower?** If you are asking this question to determine your timing on a purchase, you might consider factoring in, will the home you want to live in be available if and when they do? With the amazing alignment of affordability factors - Home Prices AND Low Mortgage Rates -the after tax cash outlay to purchase is more comparable to rent on a similar home. This down cycle should be viewed as an opportunity to make intelligent decisions and possibly take advantage of an historically GOOD TIME TO BUY A HOME.

