eNeighborhoods
The Neighborhood Info Experts™

eNeighborhoods Special Real Estate Market Report

NOW'S THE TIME TO BUY

TOP 10

10 REASONS WHY!

KELLER WILLIAMS APPROVED VENDOR

WWW.ENEIGHBORHOODS.COM | 877.363.4442

By Charles Warnock, eNeighborhoods Marketing

10. The news is bad...for a reason

Quick...which is the more exciting scenario?

A man walks slowly down a flight of stairs, sometimes pausing or retracing his steps until he reaches a floor. After trudging along for while, he notices another staircase and begins ascending, occasionally pausing or taking a step back before methodically proceeding upward.

A second man hurtles down a terrifically high flight of stairs. Ignoring the safety railings, he runs recklessly downward, dodging obstacles in his path as he goes. He suddenly cries out as he loses his footing, sails through the air, tumbles down several flights of stairs in a spectacular crash. The badly injured man is bandaged from head to toe and attached to a variety of beeping, flashing medical devices that monitor his vital signs. Experts debate his condition but agree that the situation is dire and prospects for recovery are uncertain.

...and that's why more headlines say "Home values off the cliff in Phoenix, Miami and Las Vegas" than "Things aren't bad in Seattle, Portland and Charlotte." Most readers just find sensational headlines more interesting. And while they may help sell newspapers, they also scare buyers and sellers to the sidelines, though the news may be very positive for home buyers in particular.

9. Uncle Sam wants you...to be a homeowner!

Wouldn't it be great if the government kicked in some money to help make home ownership more affordable? Because of deductions on mortgage interest and property taxes, the practical effect is that the government is subsidizing your home purchase. In fact, home ownership provides two of the best ways to reduce your tax bill.

Mortgage interest you pay can be deducted from your gross income to reduce your taxable income. For example, say you take out a $300,000 mortgage loan at 6 percent interest. You pay $18,000 a year in interest on that loan. That means your taxable income for the year is reduced by $18,000. If you're in the 25 percent tax bracket that means a one-year tax savings of $4,500 (25 percent of $18,000).

Property taxes may also be deducted from your gross income, lowering your overall annual tax obligation. Property taxes are levied on homeowners in the United States to pay for a variety of public services. You may see local property tax rates between 1 and 2 percent of the property's current assessed value, depending on where you live. Property taxes are fully deductible on your primary home, second home or vacant land.

Speaking of tax smarts, be sure to also consult your advisor about tax breaks that may be available on the proceeds from selling your current home, and on any "points" paid when taking out a mortgage loan.

In another move to help restore confidence and stabilize the housing market, in late July President Bush signed a far-ranging housing bill into law. The legislation provides funds to shore up finance giants Fannie Mae and Freddie Mac, who guarantee a large portion of the nation's mortgage loans. The law also provides help for troubled borrowers struggling with mortgages and tax credits for first-time homeowners.

8. Long term, owning usually beats renting

In recent years, the cost of buying a home in most markets has increased while the cost of renting remains flat. But it's never a good idea to base long-term investment decisions on short-term conditions. If you decide to rent instead of purchasing a home, you may be in a bad spot if the cost of rentals in your area shoots up.

Typically, a weak housing market corresponds with a strong rental market. If the rental market is strong in your area, it may indicate weakness in the local housing market, which typically favors buyers over sellers.

When you buy a home with a fixed-rate mortgage, you can lock in a predictable monthly payment for 15 or 30 years. That means the largest part of your housing costs, principal and interest, are fixed. For some people, that stability, along with the sense of community that comes from being a homeowner, is enough to tip the scales toward home ownership.

If the monthly cost of buying vs. renting is comparable, you may consider some related factors to help you decide. When you rent, your landlord receives any appreciation and tax breaks associated with owning the property. If you plan on any significant remodeling, buying may be also preferable to renting.

7. Home ownership builds equity

Some people just don't have the discipline to set aside money each month to save and invest. In this case, a home is more than a shelter, it acts as sort of an automatic savings account. You can build your savings in two ways:

First, each month a portion of your payment goes toward the principal to build equity in your home. In the early years of the mortgage, most of your payment goes toward interest. Over time, however, that turns around and your equity growth begins to accelerate.

Second, U.S. home prices have always appreciated over the long term. Average appreciation on a home is, 5-6 percent annually, according to the National Association of Home Builders. Over time, history has shown that owning a home is a solid financial investment despite periodic market downturns.

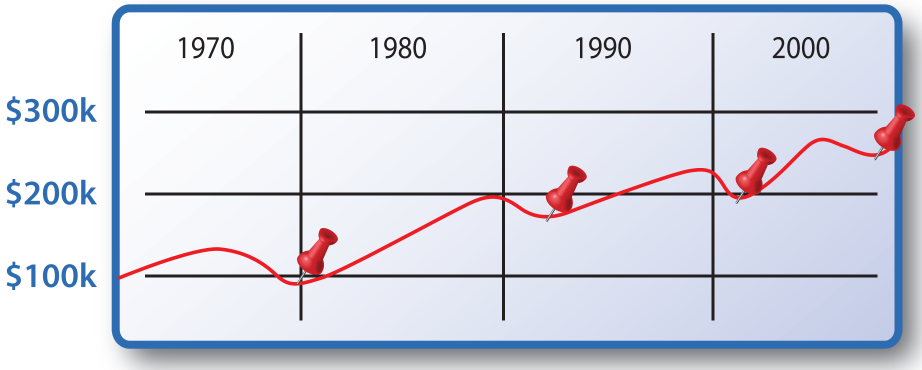
6. Market timing is far from perfect

No one wants to purchase a home only to see its value decline. But should you wait to buy a home until prices bottom out? A quick web search will yield a number of articles and opinions for and against timing the real estate market, but beware of those in favor of market timing who also want to sell you a how-to book or system.

Many people who have tried to time the market miss out on the chance to build equity by waiting to buy until prices rise again. The chart below shows the gradual increase – along with typical ups-and-downs – of home values over nearly 40 years. The arrows indicate market low points when home values dipped before continuing their historical rise.

The problem? Market cycles only become clear in retrospect. In the midst of a market slowdown, it's very difficult to predict when housing prices hit their low points. In addition, this trend line represents home prices at the national level, which may be very different than housing prices in your neighborhood. Broad national indicators may lag the market by months – meaning the actual price floor would not show up in reports until weeks or months later.

"Buyer's Market" Opportunities:
U.S. Median Home Prices Since 1970



Source: www.realtor.org data on US Media Sales Price of Existing Single-Family Homes

The best way to protect against buying at the wrong time? Sell at the right time. In many cases you can't control when to sell, but you should plan on keeping your home at least six or seven years.

The longer you own your home, the better chance you have of building wealth and protecting yourself from the market's ups and downs.

5. There's no such thing as "the real estate market"

Most media reports about the housing market focus on national statistics such as sales volume and median home prices. The often-repeated statement that all real estate is local is often repeated because it's true. It's interesting to hear about the ups-and-downs of the U.S. real estate market, but those reports really are only useful in the context of local real estate markets.

In reality, the national real estate market is made up of thousands of local neighborhoods, each with its own unique circumstances. The local economy, employment picture, tax situation and government policies will have more influence on local housing markets than any national trends. That's why homes in some neighborhoods continue to sell for the asking price, while across town other languish on the market despite multiple price cuts.

The difference might be better schools, an exclusive location or just a neighborhood with a prestigious name. Even within the same neighborhood, Victorian-style homes may be selling well, while Colonial models sit unsold. A condo with a striking skyline view will sell better than an identical unit facing a parking lot and a dumpster. That condo doesn't have much impact on the national real estate market – and vice versa.

4. Finding value is easier in a tough market

Rich Dad Poor Dad author Robert Kiyosaki uses the example of a sale at the local supermarket to illustrate a common investor mistake - focusing on price movements instead of value. He notes that if a supermarket held a "25% off everything in the store" sale, the store would be packed.

But when prices plunge in the stock market or real estate market, many investors hear the bad news and head for the sidelines until prices begin climbing again. In any market, it's important to consider value along with price. Supply and demand dictates that real estate values are easier to find in slow periods and become harder to find when markets heat up.

So what's lasting value? Here's a list of homebuyers' most sought-after features, according to the NAR:

1. Central Air Conditioning	6. High-speed Internet Access
2. Garage with two or more spaces	7. Separate shower in master bath
3. Walk-in closet in master bedroom	8. Patio
4. Backyard/play area	9. Fencing
5. Cable/Satellite TV-ready	10. Home newer than 10 years old

If you have looked in the past and not found these features in your price range, it may be time to check again, while properties are "on sale." Be sure to consider features that will make homes more valuable in the future, such as energy-efficient construction and appliances and shorter commuting times. Features like water or mountain views, good schools, recreation opportunities and unique architecture never go out of style.
Source: NAR 2007 Profile of Buyer's Home Feature Preferences

Be sure to consider features that will make homes more valuable in the future, such as energy-efficient construction and appliances and shorter commuting times.

3. There is more than one yardstick

How slow is the real estate market? It depends whom you ask, and how they measure. Real Trends, one of the industry's most respected research organizations, recently reported year-over-year changes range from -4.6 percent by the Office of Federal Housing Enterprise Oversight (OFHEO) to -20.01 percent by a group called Integrated Asset Services.

REAL Trends Home Price Index Report

Publisher/Company	As of	Year over Year Change	Average or Median	Comments
IAS360	May-08	-20.01%	Median	For twelve months ending May 31, 2008
NAHB	Jun-08	-15.00%	Average	For twelve months ending May 31, 2008
OFHEO	May-08	-15.90%	Median	For twelve months ending May 31, 2008
Radar Logic	May-08	-4.60%	Median	For twelve months ending April 31, 2008
Real Logic	Jul-08	-13.34%	Average	For twelve months ending April 31, 2008
Real Trends	Jul-08	-7.90%	Mean	For twelve months ending June 31, 2008
SEtP/Case-Shiller	Jun-08	-15.30%	Median	For twelve months ending April 31, 2008

The wide range doesn't necessarily mean one index is more accurate than another. It means that indexes use different methods of gathering data, and often different sample populations. For many real estate professionals, it's important to know the details of housing price trends. For home buyers, it's more important to put the broad numbers in perspective. They may provide a good indicator of market trends, but they will never be as important as what's happening in your neighborhood and your personal situation.

2. The concession stand is open

Home buyers can always ask for concessions, but in today's market they have increased leverage to get them. In many parts of the country, buyers are not only getting price concessions, but often help with closing costs. Agents who understand the nature of seller concessions can often help buyers get a better deal above and beyond reductions in sale price.

Closing (or settlement costs as they are sometimes called), can cost between 2 and 4 percent of the home's purchase price, and most of the financial burden typically falling on the buyer. They can include inspections, title search, attorney's fees, appraisals and more.

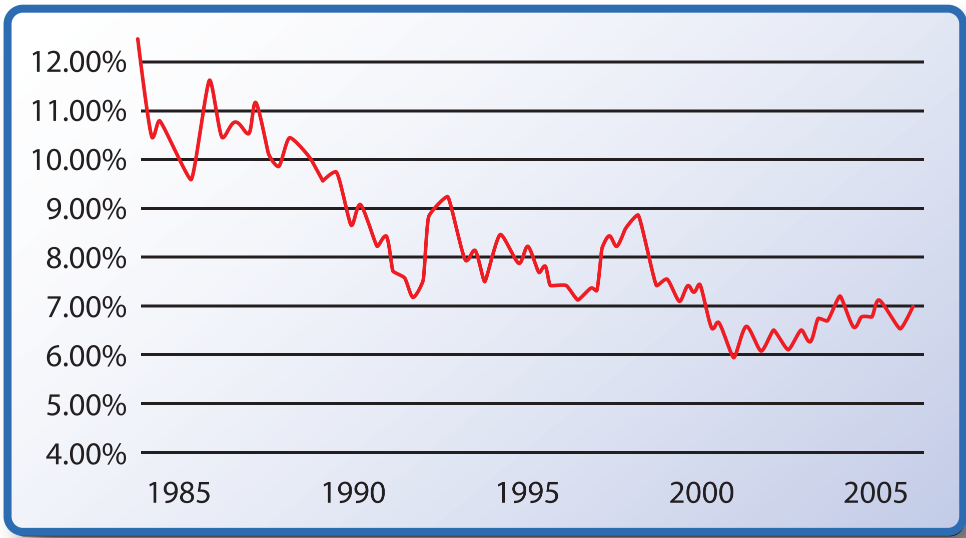
Prepaid costs are non-recurring costs such as hazard or mortgage insurance premiums and prepaid mortgage interest.

But in today's market where homes sell slowly and lots of inventory is available, the advantage shifts to the buyer side. In some areas of the country, sellers are not only paying closing and prepaid costs, but also some creative additions such as luxury cars, boats and furnishings. Sellers may be willing to make concessions other than dropping the home price, as there are often tax advantages involved. With some assistance from their real estate and mortgage professionals, buyers and sellers can often put together concession packages that benefit both parties and get the home sold quickly.

1. Financing is favorable...for now

Getting nervous buyers off the fence is one of the toughest challenges facing real estate pros right now. People are rightfully concerned about buying a home that will drop in value in the coming months. But buying a home is a long-term investment, and there's more to consider than the just the purchase price.

Depending on the rate and the amount financed, the price of financing can easily exceed the price of the home. In the example below, it's easy to see how mortgage costs can exceed a home's purchase price. What's more, the total cost of buying a home rises more than $70,000 when interest rates rise a single percentage point.



Depending on the rate and the amount financed, the price of financing can easily exceed the price of the home.

Rates have risen in the first half of 2008, but in historical terms, mortgage financing is still a great bargain. From 1980 to today the 30-year fixed rate mortgage has ranged from more than 18 percent to less than 6 percent, says Jim Elfelt, a mortgage banker in Virginia Beach, Virginia. If you're waiting for home prices to come down another $10,000, you may pay more in the long run if mortgage rates rise in the meantime.

For example, suppose you're applying for a 30-year, fixed-rate $300,000 mortgage. Note how a small change in rate makes a major difference in monthly payments and overall cost:

Interest rate	Principal	Total Interest Paid	Monthly Payment	Total Cost	Total Additional Cost
6%	300,000	347,515	1,799	647,515	0
6.25%	300,000	364,975	1,847	664,975	17,460
6.50%	300,000	382,633	1,896	682,633	35,118
6.75%	300,000	400,486	1,946	700,486	52,971
7%	300,000	418,527	1,996	718,527	71,012

When you're looking for a bargain, don't lose sight of the big picture. If you try to time the market to save a few thousand on the price of a home, you could end up with a higher monthly payment and total overall cost of home ownership. At the end of the day, your personal and family situation will determine when it's the right time to buy a home. As you weigh the pros and cons of owning versus renting, do some research as to exactly what you can afford using some of the affordability calculators available on the Internet. At the same time, your local real estate professional can help you research and understand your local market and the types of homes available.