

It's Still a Great Time to Buy a New Home

By Pat Riley, President, Chief Operating Officer, Allen Tate Realtors

If you've been thinking about buying or selling a home, but have held back because of national media reports, you're not alone. It's easy to be influenced by what you read or hear, and there's plenty of negative news out there about the real estate industry.

But here's some *real news*: Home ownership is still an excellent, long-term investment. Real estate is a local, not national, business. And the Carolinas remain one of the best places in the country for real estate sales.

Most people stay in a home for an average of 10 years, according to the National Association of Realtors®. During that time, they enjoy security and tax advantages, and a solid appreciation of their investment. For example, the average home purchased in 2001 has appreciated in value nearly 39 percent. That's \$78,000 on a \$200,000 home.

Nationally, home prices are down, but the local picture is much different. Charlotte leads the country in home price appreciation (*Standard & Poors/Case-Shiller® Home Prices Indices* issued 2.25.08). Portland and Seattle were the only other markets besides Charlotte to show price growth for the year ending December 2007. Other positives in the Charlotte housing market include an increase in average list price and close price, a decrease in the number of days houses are on the market and an overall balancing of inventory in the marketplace.

Additionally, Charlotte ranks #4 among "Best American Cities for Bargain Hunters," according to a recent study by *Forbes* magazine. The region's booming economy has drawn many new residents from the North and Northeast to new jobs in the financial sector and other industries. While there is an adequate supply of homes available, keeping it a buyer's market, Charlotte's steady employment growth suggests that inventory can burn off at a healthy rate and risk of foreclosure is significantly less than other parts of the country.

If you're looking to buy a new home in the Charlotte region, search confidently knowing that the area continues to attract new companies and expansions, young families seeking an excellent quality of life, and retirees drawn to family, a pleasant climate, and locations near the mountains and beach.

Keeping Perspective

Look beyond the headlines and you'll see there's more to today's real estate market

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Today's real estate market is different than in the past several years, and as a result, some buyers and sellers are cautious to make a move.

But like anything, what we see depends largely on what we look for. Putting things in perspective allows us to look at them with a fresh set of eyes – and a renewed sense of optimism about the real estate opportunities that exist today.

The economy – It's official; since December 2007, we've been in a recession. But according to the National Bureau of Economic Research, this is *ninth* recession we've weathered in the past half-century. Chances are, you've missed hearing about some of these cycles along the way, and you fared just fine.

Interest rates – Rates have dropped into the low 5 percent range. Compare that to the double-digit interest rates of the 1980's – including 17.5 percent in 1982!

Consider this scenario. A buyer purchasing a \$400,000 home at a 5.5 percent interest rate translates to a monthly payment of about \$2,271. At 6.5 percent interest, a \$375,000 home carries a monthly price tag of \$2,370 – \$99 more, on a house with a lower value.

Money to lend – Contrary to the headlines, lending institutions have mortgage money. While more documentation is required, most buyers with good credit and steady income can purchase a home with 3 to 5 percent down. On some loans, the seller may contribute up to 6 percent to help with closing costs.

Home values – Home values in the Carolinas still lead the nation. According to the *Standard & Poors/Case-Shiller Home Prices Index* of the top 20 metro markets, Charlotte-area home prices declined 3.5 percent for the 12 months from September 2007 to September 2008. Regions such as Las Vegas and Phoenix saw declines of more than 30 percent. Nationally, all markets saw an average decline of 16.6 percent.

The buy/sell equation – This is a market where you're going to take less on the sale and most likely, make it up on the buy. And you probably won't get the price your neighbor did a year ago. But sellers can leverage the equity in their existing home to move up. If you reduce your selling price by 10 percent and purchase a new home at the same 10 percent, you'll realize a net gain of thousands. And homes in good condition, priced to sell, are selling.

I am very confident that the New Year will bring a stronger, healthier real estate market, with increased opportunities for both buyers and sellers. If you've given a passing thought to purchasing a new home in 2009, please give it further consideration. And if now isn't the right time to make a move, consider a refinance to make your money go further. This scenario of low interest rates and large inventory will not last forever.