

# MORTGAGEPLANNER<sup>®</sup>



Tony Markland  
804-598-8076



# To Buy or NOT To Buy

Why Today is the  
Best Buyers' Market  
Ever in Real Estate

by Steve Harney

**E**ven though the current real estate market is challenging for sellers, it's a dream come true for buyers. Never before have home inventory levels been so high or mortgage rates so low. And while many real estate agents and mortgage companies are advertising to attract buyers, not everyone is listening. So if you are one of the many who has been waiting to purchase your first house or to move up into your dream house, you might want to stop procrastinating and take action now. Consider the following reasons why buying a home today is one of the best decisions you can make.

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## Inventory is at Record Numbers

When inventory is low, it's called a seller's market, because buyers have slim pickings and often have to engage in bidding wars with other buyers in order to get the home they want. But when inventory is high, as it is now, buyers feel like kids in a candy store. They can get any brand of candy they want, in any flavor they want, and for virtually any price they want. In terms of real estate, high inventory levels mean that buyers don't have to settle for less than they want or pay more than they can afford. So whether you want a simple starter home or your dream house with extra features and deluxe upgrades, chances are high that you can find it now at a price that will make you smile.

## Interest Rates are on the Rise

Historically, interest rates today are extremely low. Back in the late 1980s and early 1990s, interest rates of 9-12 percent were common. But today, interest rates are substantially lower. Interest rates are starting to creep up, however. So if you wait too long to take advantage of the great rates available, you may end up paying more than you need to for a home.

For example, a lot of sellers made the mistake of waiting for the market to peak before listing their home. However, many of them waited too long, and by the time they listed, the selling market had already started its decline — hence the high inventory. As a buyer, every day you wait to buy a home is another day for the interest rate to rise. So even if you wait for a seller to lower their price by \$10,000, if you take a mortgage rate that's a percent higher, the amount of money you save on the home's asking price is meaningless because you're paying more than that amount in financing fees.

Think about it. If you were to buy a car and only look at the monthly payments and not the overall cost of the car, people would say you were being naïve. The finance fee definitely impacts the price of the car, just as it impacts the price of your home. So since prices are down, act now. While you're waiting for home prices to decline further, your finance charges will continue to rise.

## Real Estate is a Long-Term Investment

Very few people who bought property 20 years ago look back and say that they regret their purchase. However, almost everyone has heard a friend or family member say, "If I knew 20 years ago what I know now, I could have bought that piece of property for dirt cheap. That property today is worth over a million dollars. I wish I would have acted on it back then."

The fact is that real estate value goes up every year, even in a market that favors buyers. A new study by Jack Clark Frances, a finance and economics professor at Baruch college in New York City, and Yale's Roger G. Ibbotson, compared real estate investing from 1978 to 2004. They found that the average annual return on real estate was 8.6 percent. Their findings don't take into consider-

ation tax deductions and credits. So if you bought property today, it might not be worth much more five months from now. But five years from now you'll have a good return on your investment, and seven to ten years from now that piece of property is going to practically double in value. So don't get caught up in short-term thinking. Buy now to enjoy long-term gains.

## A Home is Much More than a Commodity

Thanks to all the home renovation and home flipping shows on the air these days, many people view real estate as nothing more than a commodity to be bought and sold. But prior to five years ago, the main reason people bought a home was for a lifestyle consideration.

Today, too many people are looking at real estate as something they can buy and sell like a stock. As such, they sacrifice location or home size or features. But don't sacrifice an increase in lifestyle because you're worried about overspending by a couple thousand dollars or you're worried that the great location you want won't be so desirable to others. Whenever you don't go with your dreams, you pay a price. For example, suppose you received a promotion at work and now needed a larger home so you could host regular dinner parties for clients. If you found the ideal larger home but decided to wait on buying it because of the price or some other consideration (i.e.: you thought it was too far out in the country and you wouldn't be able to quickly sell it in the future), what would that decision cost you in terms of job performance or client satisfaction? That's the type of thinking buyers need to re-adopt.

Remember, purchasing a house is first and foremost a lifestyle decision. Yes, the financial aspect is there, as is the resale consideration, but those shouldn't be the only factors. So as you look at homes, think of your kids, your job, your family, and your personal likes more than anything else. That's the only way you'll truly be happy with your decision.

## Say Hello to a Good Buy

Buying a home, whether it's your first house or one of many, is always an exciting time. These days, however, it's more exciting than ever due to the current buyers' market. So take advantage of what today offers. Get the house you want at the price you want and enjoy the long-term gains. Remember, there's no place like home...and that includes *your* home. ■



**Tony Markland**

Certified Mortgage  
Planner

Guiding Your Financial  
Future  
1410 Morewood Dr  
Powhatan VA 23139

tony@cmsfunding.net

One of the greatest compliments I can receive is a personal referral to one of your friends who may benefit from professional mortgage planning services.