

# It's a Buyer's Market

## The choice is yours.

Wouldn't it be nice if shopping for a home was this easy? In today's dynamic market, buyers have choices like never before. A great selection, low interest rates and leveling prices make the choice to buy a home easier than ever. Paper or plastic? You're on your own there.



- **LOW RATES.**
- **COMPETITIVE PRICES.**
- **GREAT OPPORTUNITY.**

Don't miss today's real estate market.

To find out more, go to [www.hbalanecounty.org](http://www.hbalanecounty.org)

*Best Buyer's Market in 20 Years*

# Fence Sitters

## The Time to Buy Is Now!

As any savvy consumer knows, real estate remains one of the best investments for the future, potentially yielding real long-term benefits. (Tax incentives, financial equity, family security to name a few.) But recent national headlines may have put a damper on home buying.

If you are currently weighing the pros and cons of home ownership in today's market, here's a word to the wise: there's no better time to buy a new home than right now, and no better place than right here in Lane County.

Here are some reasons why Lane County is a classic "Buyer's Market" right now, and is perhaps one of the best areas to purchase your dream home or investment property:

*A number of factors  
have merged to create  
the ideal buyer's market  
in Lane County.*

### Prices are Down

Everyone loves a good deal and there are plenty of them right now. According to the Regional Multiple Listing Service, the average residential sales price in the Lane County for June was \$246,600, compared to \$275,500 a year ago, a drop of nearly \$30,000. Although this trend may continue, you could miss the point (not to mention the home of your dreams) waiting for the "perfect" price. No one has a crystal ball, and the deal of today may be gone tomorrow.

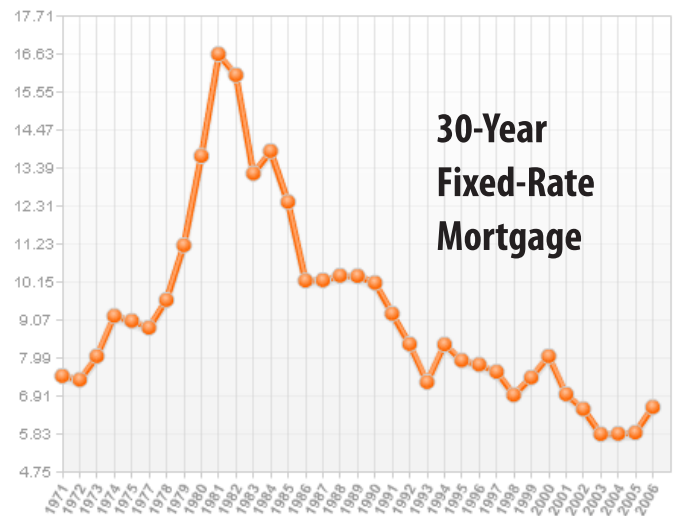
### Options Galore

The current market supports lots of inventory, and more inventory means more chances of finding what you want, both in design and price. With so many beautiful homes to choose from,

you may just get the house you want at the price you want to pay for it.

### Low Interest Rates

While the lending rates are still reasonably low right now, there is always the possibility of an increase by the end of the year. By taking ad-



vantage of the current low rates now, you could be saving your family substantial money each month.

### Building Green

As those of us who live here know, this community cares a great deal about sustainable, environmentally friendly living. Lane County is home to many ethical, responsible builders who are committed to keeping our home and environment as clean as possible. With so many new technologies and cutting edge techniques being introduced and utilized here, there are more cost effective ways than ever to stay green.

Now is an excellent time to invest in your future here in Lane County. So, even if you haven't quite decided whether a new home is for you, talk to your local realtor anyway. You never know what possibilities are out there unless you look.

It's your future, build it now.

# Buying in a Soft Housing Market

by Ken Harney

Everybody knows the “housing boom” is over in most parts of the country. But what does that mean for people who are thinking about buying a new home? Is a “soft” market a good time to buy? Or is it a time when it’s smarter to just sit on the sidelines and wait and see where things are headed? Here are some practical thoughts that you can add to your own analysis of whether to shop, buy or hibernate for a while. Let’s look at both sides of the equation:

First, slumping real estate markets also go by another name—buyers’ markets. Boom real estate periods, by contrast, tend to be known as sellers’ markets because most of the advantages are with sellers, not buyers. Unlike the boom years of 2003-2005, home sellers and home builders today no longer have the upper hand. They can’t expect double-digit price increases year after year. Or long lines at sales offices or open houses. Serious buyers are fewer in number and a whole lot slower to sign on the dotted line. Builders have to sweeten their packages of concessions in buyers’ markets—offering discounts, free upgrades and other deals that they’d never consider during the boom years. Many builders also offer discounted financing packages to make their houses more affordable in buyers’ markets. Often builders have special relationships with large mortgage lenders or they own a mortgage subsidiary themselves. That puts them in the position to create cut-rate mortgage programs and even custom-tailored financing solutions for buyers that would never have been possible during the boom years.

Finally, home builders—by necessity—are now more open to negotiating specific details of transactions with serious buyers. There’s no hard and fast guarantee that you’ll get everything you bargain for—after all, successful negotiations require give and take on both sides. But you can be guaranteed that builders will listen and try to go the extra mile.

Now let’s look at the reverse perspective. There’s no question that softening real estate markets can look a little scary. Nobody can tell you for certain where real estate prices will go in the coming year. Nobody can tell you exactly where we are in the real estate cycle. Are we close to the bot-

tom of the post-boom correction? Or is there still a ways to go?

Most economists, along with the Federal Reserve Board, forecast that the boom cycle will be followed by a year or two of flat prices, possibly slight declines, followed by a gradual resumption of the upward cycle. We are well into that pattern right now. Looking at the cyclical ups and downs of real estate during the past seven decades, only in markets where local unemployment rates are high

or rising—and where mortgage money comes with high interest rates—do housing values suffer significantly in downturns. Otherwise, the historical pattern has been for values to flatten out or go slightly negative for short periods before rebounding and resuming their normal upward movement.

Although some local markets are facing employment problems and layoffs this year, job growth in most parts of the country is solid. Mortgage rates continue to hover just slightly above the near-record lows they reached in 2004, and are a full two percentage points below the average interest rates paid by mortgage borrowers during the past three decades. So where does this all take us? What’s the bottom line? Any way you look at it:

- We’re in a market where buyers have the upper hand and the overall economic risks look reasonable. That was not the case just two or three years ago.
- Mortgage money is affordable and plentiful—big pluses for buyers.
- The best real estate bargains almost always occur in buyers’ markets. Prices and terms this year may look like great deals a few years down the road.
- If you truly want or need to buy a home, the equation is more positive than it has been in several years: lower prices, more homes to choose from, and more flexible sellers.

You may want to take a cautious approach and not plunge into a purchase while the cycle is still in flux. On the other hand, you may want to lock in a low price and low mortgage rates sooner rather than later. But either way, here is my suggestion: Shop and research what’s available in the communities where you seriously want to buy one day. Get a good grasp on what’s selling, at what price, with what features and on what size lot. Then, when you feel comfortable about getting into the market, you will have the knowledge to identify what is—and what isn’t—a super deal for you on a new house.

For more information on why now is a great time to buy, visit [www.nahb.com/timetobuy](http://www.nahb.com/timetobuy). To subscribe to NAHB’s free consumer e-newsletter on all things home, visit [www.nahb.org/housekeys](http://www.nahb.org/housekeys).

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*Is a soft market a good time to buy? Or is it smarter to wait and see where we’re headed?*



# Answers to Common Home Buying Questions

## **Q: Shouldn't I wait until home prices go even lower to buy?**

No. Just as no one can accurately predict the peaks and valleys of the stock market (name one person who sold their tech portfolio in April of 2000), the same holds true for housing. If you wait for what you think is the absolute best deal, you could end up waiting for years. All the market fundamentals show that now is a good time to buy – prices are down, interest rates near historically low levels, and there are lots of homes to choose from.

If you buy now, you will not only be in the driver's seat during the buying process, you will also reap the gains of price appreciation. Remember, those who purchased homes in the early 1990s during the last big economic and housing downturn came out as big winners.

## **Q: Doesn't it make sense to wait out the market until can I get the same price on my home that my neighbor got when he sold a year ago?**

No. It's always better to trade up in a buyer's market. While the value of your house has fallen, the prices of higher-end homes have also dropped. Here's an example:

*Waiting to time the market is a dangerous game. Even analysts can't figure it out.*

Your neighbor sold for \$300,000. Let's say values in your area have dropped 10 percent, so you could get only \$270,000 for your home today. You have your eye on a move-up home that previously sold for \$500,000, but now is selling for \$450,000. If you sold your home today for \$270,000 and purchased the larger house for \$450,000, the difference in price would be \$180,000.

But if you waited to recoup the 10 percent value on your home and sold it at \$300,000, chances are the

move-up home would also increase in price 10 percent to \$500,000. That's a \$200,000 price difference. So by selling today, you would actually save \$20,000.

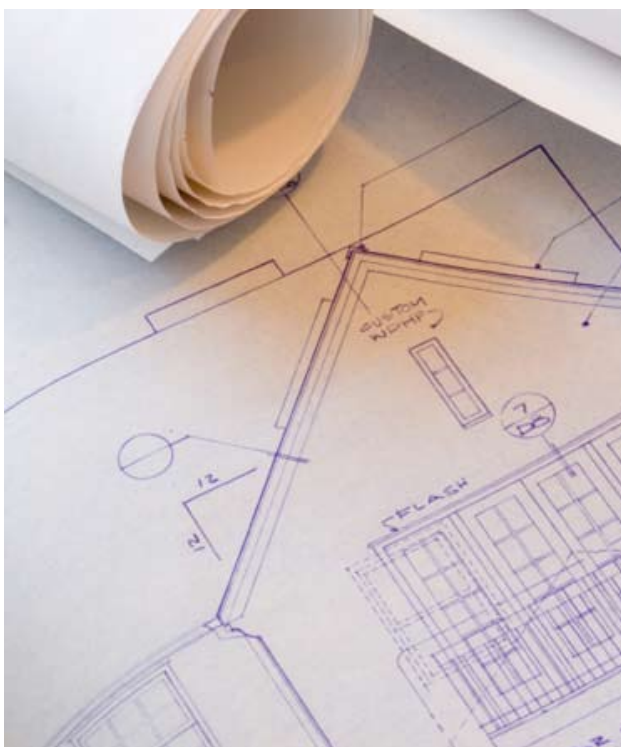
## **Q: Interest rates keep going down. Shouldn't I wait until they go even lower before I buy a home?**

Interest rates for 30-year, fixed-rate mortgages are currently below 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 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.

And home prices don't necessarily move in unison with interest rates. So, if you decided to wait to purchase a home and the price dropped \$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.

## **Q: I have \$10,000 to invest. Should I put that money in the stock market or buy a home?**

Purchasing a home is by far the best long-term investment. For example, say you use that \$10,000 to purchase a \$250,000 home, and the house appreciates a modest 3 percent during the first year. That means after one year, the house would be worth \$257,500 – a gain of \$7,500. By contrast, putting the same \$10,000 in the stock market and posting a similar 5 percent



gain would only net a \$500 return on investment.

And don't forget the tax incentives. In most instances, all of the mortgage interest and property taxes you pay in a given year can be fully deducted from your gross income to reduce your taxable income. These deductions can result in thousands of dollars of tax savings, especially in the early years of the mortgage when interest makes up most of the payment.

**Q: I'm a first-time buyer and still can't afford the type of home that I want. Is it best to wait, keep renting, and hope that prices will get even lower?**

If you continue to wait, you may never be able to afford to get into the housing market. Even as home prices are currently moderating or falling, depending on where you live, rents continue to climb. 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.

Once you become a home owner, you are able to take advantage of the tax deductions that homeownership offers, and you begin to build equity in your property.

With so many homes on the market to choose from, your best strategy may be to scale back expectations for your dream starter-home. After a few years, you can use those equity gains to sell your starter home and move into a bigger house. The sooner you make the jump from renter to home owner, the quicker you begin to create and build up wealth for your family.

# When to Buy When to Wait

*Consider the following factors*

*before determining if this*

*market is right for you.*

## Five Reasons to Buy

1. Prices in the neighborhood you're interested in are relatively stable. Either they are holding their own, increasing, or the pace of decline is slowing significantly. If you have to move and don't like apartments, the small penalty you pay for missing the bottom may not mean much.
2. You plan to stay in the home for more than five years. If you can stick it out that long before selling, economists say you'll probably ride out any downturn and come out ahead on price.
3. Your rent rivals a mortgage payment. If you can afford to buy, it can give you one bonus renting can't—the mortgage interest deduction on your taxes.
4. You've found the right house in the right area for you. The schools are great. You love the area and know it would be hard to find another house like the one you have your eye on. In a better market, you would most likely have much more competition for that home.
5. You've built equity in your house and are moving to a place where homes are cheaper. In your new market, your money will go further.

## Five Reasons to Hold Off

1. You've lived in your house less than two years. Chances are you haven't had enough time to accumulate equity in your home. Indeed, you may have negative equity if you live in many areas such as California, Florida, Arizona or Nevada.
2. Your job security is uncertain. If your company or business is in distress, it's probably better to stay put until the smoke clears.
3. You don't plan to stay in your house at least five years. While it's not important to buy at the exact bottom of the market, it is important to stay long enough to ride it out completely.
4. You don't have good credit or a decent down payment. Do you have a job and income you can document? As a result of the sub-prime lending crisis, lenders are much more careful about who they're giving their money to.
5. You have an existing home to sell in a neighborhood where prices are dropping precipitously or where the number of foreclosures is spiking. In this climate, you're probably better off waiting out the storm.

# Is Buying a Home in Today's Economy A Good Idea?

As a long-term investment, homeownership is still one of the best investments for individual households.

“Why,” you may ask? After all, the headlines say the housing market is down and out, with defaults rising at an alarming rate, and mortgage markets so frozen that buyers can't get a home loan at any price.

What buyers need to realize is that housing markets, like all markets, inevitably have their ups and downs. And homeownership has a track record that is virtually unmatched by any other purchase in terms of its real benefits.

Despite the turmoil in mortgage lending, if you have good credit, a job and steady income, you will find there is still plenty of mortgage credit to be had at good rates. For well-qualified buyers, rates are running at near historical lows.

Here are a few examples of why, dollar for dollar, homeownership is a solid stepping stone to a future of financial security and the single largest creator of wealth for many Americans.

*Home ownership has a track record that is virtually unmatched by any other purchase.*

Over the long-term real estate has consistently appreciated, even through periodic adjustments in local markets in response to economic conditions. On a national level, home appreciation has his-

torically increased 5-6 percent annually, report economists at the National Association of Home Builders.

Five percent may not seem much at first,



but here's an example that will put it into perspective: Say you put 10 percent down on a \$200,000 house, for an investment of \$20,000. At a 5 percent annual appreciation rate, that \$200,000 home would increase in value \$10,000 during the first year. Earning \$10,000 on an investment of

\$20,000 is an extraordinary 50 percent annual return.

In contrast, putting that \$20,000 down payment into the stock market and getting a 5 percent gain would only yield a \$1,000 profit.

Looking at it another way, over a longer period of time, if someone put \$10,000 into the stock market in 1996, the average annual S&P return would make that investment worth \$21,500 today—an increase of \$11,500. The median home price in 1996 was \$140,000.

Today, that same home would have gained nearly \$100,000 in value. Don't miss out on the benefits of homeownership.

# It Pays to Pay Attention

A number of factors are working together in Lane County to benefit today's homebuyers like never before. First, there's an excess of inventory. Beginning economics discusses the effect of supply and demand. Excess supply accompanied with less demand results in a market advantage to the buyers - thus creating a buyers market. We are fortunate that the housing inventory in Lane County did not reach the high levels as in other communities. And the local inventory has continued to decrease. The local housing inventory had 10.2 months of inventory available on the market in January of this year. The May inventory available on the market decreased to 8.6 months and we have just entered the good buying season.

Another reason the inventory is adjusting so quickly is the dramatic slowdown of new construction. When comparing Eugene permit activity for the first six months of 2007 to the same period in 2008, there were 83 less single family permits issued in 2008. The current supply and demand scenario gives the advantage to the homebuyer, but only until the excess inventory clears. Housing has always been a cyclical business, with its ups and downs. Prices are attractive in today's slower markets and

will rise again when the housing cycle turns up. As surely as the market has slowed today, it is already showing signs of picking up speed again. The time to buy is now.

The local inventory levels offer a great selection of homes at very competitive prices. Combine that situation with today's low interest rates and the advantages of purchasing a new home are obvious. Despite the dire headlines that have appeared in the news, housing markets, like all markets, inevitably have their ups and downs. But as a long-term investment, homeownership remains one of the best investments for individual households, with a track record that is virtually unmatched by any other purchase in terms of its real benefits.

A closer look at conditions in the housing market provide further grounds for optimism among prospective home buyers, and some of the negative developments in the marketplace can actually work to their benefit. For example, housing prices on a national basis have been losing some ground—a development that sounds far worse than it actually is.

At the height of the housing boom, home prices were rising at their fastest pace in history. In the hottest markets, prices doubled in a matter of years. Clearly this pace was unsustainable. And it didn't take too long before prices rose to unaffordable levels in many other parts of the country. In Lane County, when comparing the rolling sale prices for the 12 months ending in May 2008 with those of the 12 months immediately prior, the average sale price decreased a slight 0.5% (\$261,900 v. \$263,100). On the other hand the median sale price rose 0.7% (\$231,700 v. \$230,000). We have not experienced the dramatic decline in home values as in other markets. You just might miss the boat if you're waiting for further price reductions. You may also miss out on the low interest rates. Potential home buyers who try to "time the market" in hopes of buying at the trough are likely to lose out.

Here's why:

- Just as no one can accurately predict the peaks and valleys of the stock market, the same holds true for housing.
- Fence-sitters waiting for the absolute best deal could end up literally waiting for years, and most likely their guess on market timing would be wrong. Meanwhile, those who buy now will have a home they can call their own and reap the long-term gains of home price appreciation.
- For example, those who purchased homes in the early 1990s during the last big economic and housing downturn came out as big winners. The median price of a new

*continued...*

## The Home Buying Process

### A Brief Checklist for those aspiring to become Lane County homeowners.

Purchasing your home is one of the most important financial decisions you will make during your lifetime. The process can be particularly daunting and requires an organized thought process. The following timeline starts one year before you hope to start seriously shopping for a home. This would be an ideal situation but in today's market you may not have that much time to delay. You can arrange your finances and buy your dream home in a much shorter time.

#### ONE YEAR OUT

- Get your credit reports. Don't leave yourself in the position of having to pay a bogus collection account to get the loan you want or paying unnecessary interest because of credit-report errors. Know that there are companies that can help you improve your credit score.

#### 6 MONTHS OUT

- Sort through your mortgage options. (Contact: Oregon Association of Mortgage Professionals) 30-year fixed rate mortgage—the traditional mortgage remains a favorite of borrowers.
- Start calculating how much house you can afford.
- Research all the costs of owning a home.
- Adjust your savings strategies.

#### 3 MONTHS OUT

- Reduce your credit utilization.
- Don't open or close any accounts.

#### 2 MONTHS OUT

- Get an idea of the mortgage rate you can expect.
- Understand the effect of mortgage-shopping on your score.
- Get approved for a mortgage ahead of time, called a pre-approval.
- Find a Realtor® with whom you're comfortable. ([www.eugenerealtors.org](http://www.eugenerealtors.org))
- Consider a mortgage broker. ([www.oamp.com](http://www.oamp.com))
- Begin researching neighborhoods: check internet listings, attend open houses and find an experienced guide to help you refine what you're seeking.

#### YOU'VE FOUND YOUR HOME/OFFER ACCEPTED

- Arrange for an appraisal, a home inspection and a walk-through.
- Get homeowners' insurance.
- Confirm how much money you'll need at closing.
- Enjoy your new home!

home in 1991 was \$120,000. In 2007, it was \$246,900—more than double in price.

There are so many benefits to homeownership. Consumers who take advantage of this excellent buying climate to purchase a home will find that it is the best investment they ever made. Buying a home is the largest investment most families will ever make and homeownership is the single largest creator of wealth for Americans. It allows families to build financial security as the equity in their home increases. As home owners re-

*Owning a home is by far  
the biggest and best tax  
break for middle-class  
Americans.*

pay their mortgages, their debt declines, while overall wealth and equity in the home grow. Although local housing markets periodically adjust according to overall economic conditions, over the long term real estate has consistently appreciated.

On a national level, home appreciation has historically risen 5-6 percent annually. Five per-

cent may not seem at much at first, but take a look at the numbers. If you bought a \$200,000 house and put 10 percent down, that would be an investment of \$20,000. At an appreciation rate of 5 percent annually, a \$200,000 home would increase in value \$10,000 during the first year. That means you earned \$10,000 with an investment of \$20,000. Your annual “return on investment” would be a whopping 50 percent. In contrast, putting the same \$10,000 in the stock market and registering a similar 5 percent gain would only yield a \$500 return on investment.

The big difference in returns is a result of “leveraging”—putting down a small amount of money to earn the biggest return. This is especially important for first-time home buyers. Entering the market now starts you on the road to home price appreciation. And the profit from selling a “starter” house will enable buyers with growing families to afford a bigger home in the future.

Compared to other investments, such as stocks, a home is a relatively stable investment. Homes tend to increase in value at a steady, reasonable pace while alternatives can be extremely volatile. For example, during the stock market decline of 2001-2002, households lost more than \$1 trillion in stock value, while their housing equity continued to climb. Looking at this another way and applying the power of leveraging, if someone put \$10,000 into the stock market in 1996, the average annual S&P return would make that investment worth \$21,500 today—an increase of \$11,500. By comparison, the median priced home in 1996 was worth \$140,000. Today, that same home would have gained more than \$100,000 in value. And the real value of the investment is worth even more, because the home owner has paid down a significant portion of the mortgage in the interim.

And don't forget the fantastic tax incentives. It's by far the biggest and best tax break for middle America. Collectively, home owners save nearly \$100 billion annually on mortgage interest and property deductions alone. These tax incentives are

designed to make owning a home more affordable. In most instances, all of the interest and property taxes you pay in a given year can be fully deducted from your gross income to reduce your taxable income. These deductions can result in thousands of dollars of tax savings, especially in the early years of the mortgage when interest makes up most of the payment. To look at this another way, if you are in the 30 percent tax bracket, you only pay 70 cents on the dollar in mortgage interest payments. Plus, the best tax break available to homeowners is when they sell their primary residence.

A couple who own and live in their home for two years and then decide to sell can keep up to \$500,000 of the profit tax-free. (A single owner can keep \$250,000.) If the couple use these gains to buy a bigger home, and live in that home for at least two years, the same rules hold true when they go to sell again. This is one of the biggest tax advantages of homeownership and a great way to build household wealth.

Owning a home is like investing in an automatic savings account. You accumulate savings in two ways. Every month, a portion of your monthly mortgage payment goes to the principal, reducing the overall loan amount. Each year, a greater percentage of your mortgage payment goes to paying down the principal. Second, your home appreciates over time, making it one of the very best financial investments.

Now is the time to fulfill the American Dream of homeownership. Your new home is one of the best investments you will make. Homeownership is a great tax benefit. And we are currently experiencing the best buyers market we have seen in 20 years. The next move is yours.

## Local Resources

### ...for first time home buyers.

**Lane Community College** offers the following classes for home buyers as part of their Community Education Program:

- Home Buying Basics: Free seminar designed to help those considering buying or refinancing a home to understand the process. Class covers the basics of both the real estate and financing aspects.
- How to Be a Smart Home Buyer: Learn how to save money by understanding how the real estate business works. Learn how to shop for a mortgage and get the best deal. Find out the real difference between buyer agents and traditional agents. Learn to protect yourself by understanding real estate law, real estate contracts, negotiating the best deal and how to avoid costly mistakes.

Fall schedule will be announced August 20th. Go to [www.lanec.edu/schedule/fall.html](http://www.lanec.edu/schedule/fall.html)

**Neighborhood Economic Development Corporation** offers a variety of classes for home buyers:

- ABC's of Home Buying: This fast track class, team taught with an experienced group of volunteers from the real estate and lending industries, cover topics such as financial preparation, shopping for a home, mortgages, housing decisions, and closing process, and protecting your investment. Completion of the ABC's class is required for many down payment and closing cost assistance programs. (Cost \$40 for 1 person, \$45 for a couple)
- Free Homeownership Information Workshops: Includes topics, getting a low loan rate, Financial preparation, credit and debt issues, down payment assistance programs, resources available to you.

**NEDCO's Threshold Homeownership Education & Counseling** works with low income families and individuals to prepare them to become successful home owners through the Threshold Homeownership education and counseling program. This intensive program has two components:

- Long-term confidential homeownership counseling—the counseling is based on the development and implementation of strategic action plan,
- A course of 12, 2 hour classes—topics include budgeting, debt, credit, mortgage qualifications, insurance, home maintenance and repair and using energy wisely.