

Why Buy or Sell Now?

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 historically increased 5-6% annually, report economists at the National Association for Home Builders.

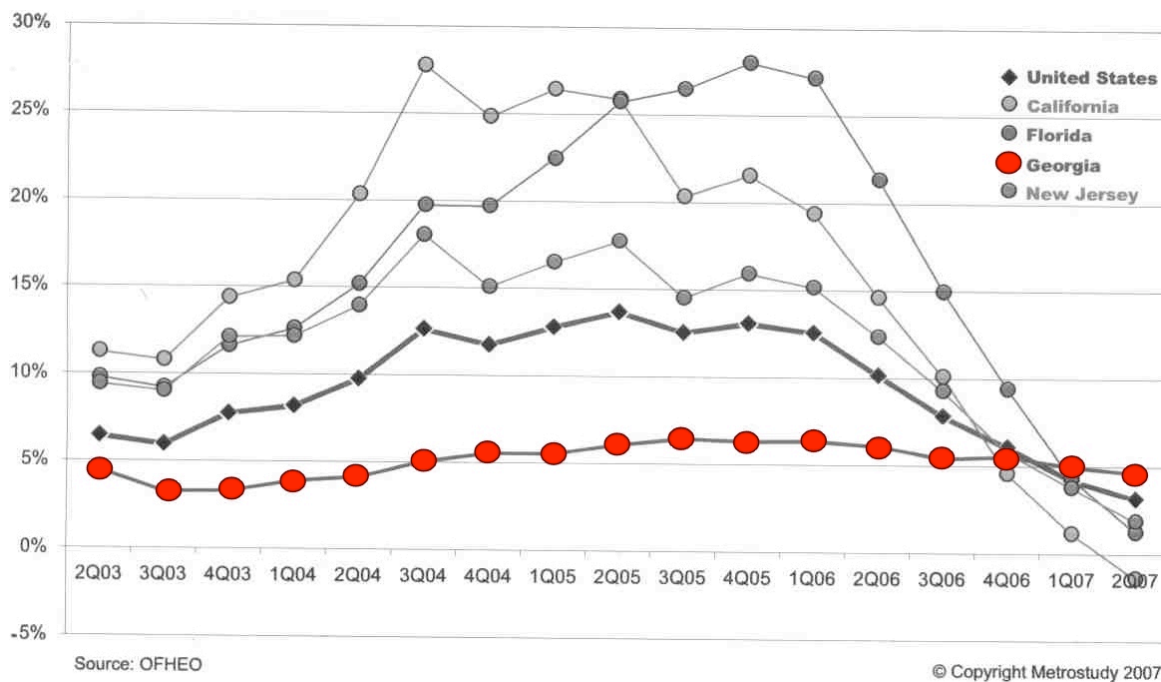
Five percent may not seem like much at first, but here's an example that will put it into perspective: Say you put 10% down on a \$650,000 house for an investment of \$65,000. At a 5% annual appreciation rate, that \$650,000 home would increase in value \$32,500 during the first year. Earning \$32,500 on an investment of \$65,000 is an extraordinary 50% annual return. And, as long as you live in the house for 2 of the past 5 years, most of the time, all capital gains up to a certain amount are tax free not to mention the interest you pay on your home is tax deductible.

In contrast, putting that same \$65,000 in the stock market and getting a 5% gain would only yield a \$3,250 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 or an increase of \$11,500. The median home price in 1996 was \$140,000. Today, that same house would have gained nearly \$100,000 in value.

Don't miss out on the benefits of homeownership.

Housing markets, like all markets, inevitably have their ups and downs. But, homeownership has a track record that is virtually unmatched by any other purchase in terms of its real benefits. While markets in other regions of the country have been all over the place, the market in Georgia has remained stable (see graph below).



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 extremely good rates. For well-qualified buyers, rates are running at near historic lows.

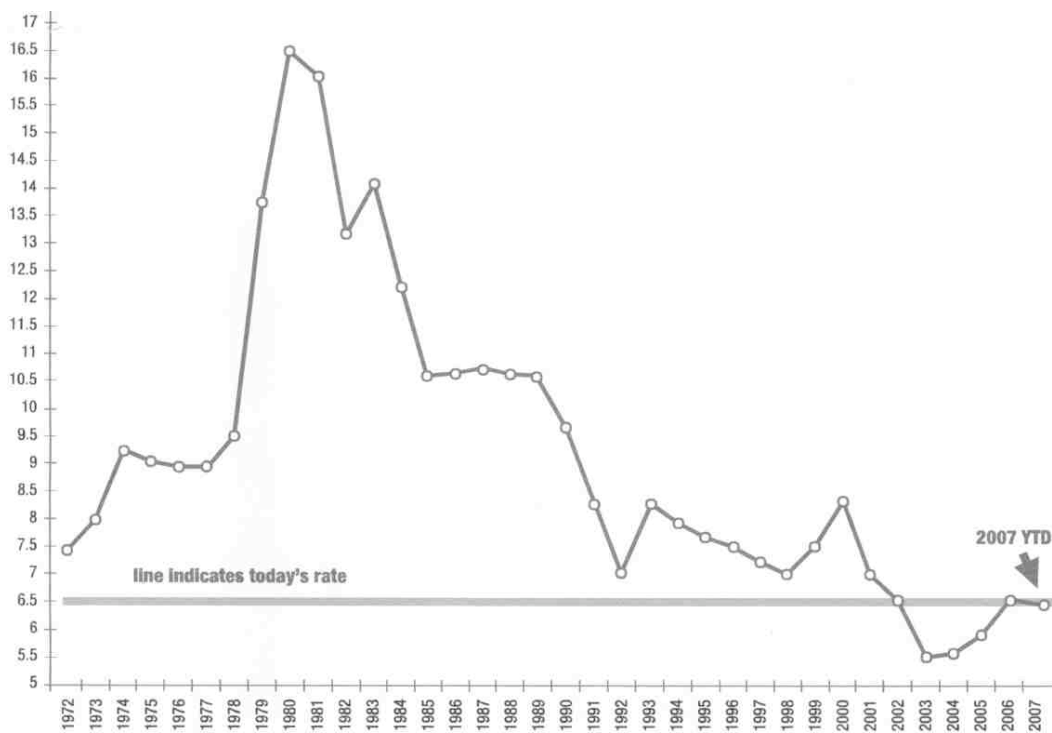
You may be asking yourself, should I wait to sell my house until I can get the same price my neighbor sold their house for? The answer is, No. It's always better to trade up in a buyer's market, like the one we are in now. While the value of your house may have fallen, the price of higher-end homes has also dropped.

For argument's sake, let's say that a \$750,000 has dropped 10 % in value and now sells at \$675,000. Your home was worth \$350,000 a year ago. If you sold your home for \$315,000, or 10% less, and purchased the larger house for \$675,000, the difference in price would be \$360,000.

But if you waited to recoup the 10% value in your home and sold it at \$350,000 a year from now, chances are that the same move-up home would also move up in price to at least \$750,000. That's a \$400,000 price difference between the 2 homes.

By selling today, you would actually save \$40,000 even though you sold your home at a discounted price. And, most likely by jumping into the market today your savings would be even greater because consumers have more bargaining power when shopping for higher-end homes in a buyers market.

Interest rates for a 30-year fixed are somewhere around 6% and are extremely favorable for buyers. In fact, they are hovering near 30-year lows (see graph below). Even those who follow the market for a living can't accurately predict when interest rates will bottom out. If they could, they would all be multi-millionaires.



In short, the smartest and safest time to buy is now. We know that interest rates are low today. We know that home prices are down. We know that there are plenty of homes on the market to choose from. Any or all of these favorable variables could change for the worse six months from today. Now is a great time to buy.