

Why Some Buyers Are Still Waiting...



Record-setting affordability isn't enough to get some buyers off the fence.

Amid all the news coverage about how the housing market is still in the tank, there's one piece of news that seems to have escaped most commentators: Housing is at its most affordable level in decades.

Because of record-low mortgage rates (the average 30-year fixed rate was at 4.3 percent in early October), the monthly mortgage payment for a median-priced home purchased with FHA-backed financing is \$1,150, down from \$1,658 in 2006, at the height of the boom.

Of course, like all things real estate, affordability is local. On a national basis, though, now is clearly a good time to buy for those who are willing to stay within their budget. But the extent to which households take advantage of today's conditions is influenced by a number of factors.

The first factor is the availability of credit. Even successful self-employed entrepreneurs are facing hurdles because they don't have W-2 forms.

Second is market confidence. Although home values have largely stabilized in the past 18 months, some buyers believe prices are going to fall further. Unfortunately, as they hold off on purchases, their prophecy will become reality—inventories will grow and we'll see downward pressure on prices.

The third factor is confidence in the overall economy. Slow economic growth leads to economic insecurity, even among those who have jobs.

Once consumers regain confidence and banks increase lending to sound individuals, buying activity should start to pick up. After July's 27 percent drop in sales, the market has shown signs of healing; August existing-home sales were up almost 8 percent, and pending contracts suggest further gains.

It will take time before we can say the economy is back to normal, but in the meantime, high affordability and low mortgage rates will benefit those who are willing and able to purchase.

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