

# *The Calm After the Storm...*

*by Ron Schildknecht, Association Executive,  
Greater Texoma Association of REALTORS®*

People say 2009 was about as bad as it can get in the real estate industry. We had the perfect storm of a slow economy, high unemployment, continuing layoffs in the workforce, bank foreclosures on homes and large numbers of short sales. You might say, we had the perfect storm in real estate. Our homes and our confidence were tossed on some pretty big waves. But, as I look around, we are still here! We have “weathered” the storm, experienced the tough times and now must look to the future.

After a severe storm, the skies clear, the winds die down and people begin to recover from the damage. I think America is about to experience the calm after the storm. All economic indicators seem to be pointing in the right direction. The stock market is way up compared to its seemingly bottomless lows of October 2008. As of December, existing home sales have been on pace to sell 6.54 million homes, up 7.4% from a year ago. In fact, existing home sales are the best they have been since February 2007 (before the housing bubble) when, at an annual rate, they hit 6.55 million homes. Reports show imports coming into our country are beginning to rise. Retail sales, up a modest amount, may be sparking a renewed confidence in consumer spending. It appears the unemployment rate has peaked and jobless claims, while still up, are showing the smallest gain in the past year or two. Consumer confidence has been rising for the past 3 months. Maybe, just maybe, our economy is starting to recover.

So, what does this have to do with real estate? Everything! I believe it is now, during the calm, that individuals should purchase a home or investment property. Why would anyone buy a home today? There are key several reasons:

1. You have to live somewhere! If you are renting, you are only buying a home for your landlord. Believe me, he is most likely not renting for less than his mortgage payment plus maintenance expenses plus some “return on investment,” so you are probably paying more in rent than you would with a mortgage on your own home.
2. Uncle Sam will “pay” you to buy a house! That’s right, the government will actually give you from \$6,500 to \$8,000 in an income tax refund to buy a home. There are some restrictions, but you could be eligible for a rebate of up to 10% of the purchase price of your next home. The rebate programs are available to new and existing homeowners, but you must sign your home purchase contract by April 30, 2010, and close the sale by June 30th.

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3. Houses are on sale right now! I know, some people have lost money when selling their homes in the last year or so, but most sellers are still selling for more than they paid. Sure, if you bought a home

and tried to sell it in one or two years, you probably lost money. However, studies show most people stay in their homes longer than that, so they can still sell and walk away with some money in their pocket. Is it smarter to pay rent for the next 5 to 7 years, move and be guaranteed no profit (your landlord will not give you a refund of your rent), or invest in a home and have the chance to sell and make a profit when the time

comes? Even if you sell without a profit, you may still recover some of your house payment money. That seems to me a better option than leaving all your payments with the landlord.

4. Mortgage money is on sale right now! That's right, **mortgage money is on sale**. In the 1970's, people were buying homes with mortgage interest rates in the 17 – 18% range. Are you kidding me? 17 – 18%?? That's nuts! But it's true. In the late 1980's, rates were in the 10% range and just a year or two ago, 30 year mortgage money was costing 6 – 7 % interest. Today, 30 year, fixed-rate mortgages can be obtained for less than 5 % if you have good credit. Mortgage money is available and by all historical standards, it is "on sale".

5. Interest rates are going to go up! I don't have a crystal ball, and it's always dangerous to predict the future (especially in writing), but when governments operate with large deficits and print money to cover their bills, inflation inevitably follows. Inflation translates into higher prices for everything (gas, food, health care) including mortgage money. The best way to minimize the impact of inflation on your personal spending power is to "lock" in costs with today's dollars. A 15 or 30 year, fixed-rate mortgage will accomplish that. While other prices may rise, you are guaranteed that the amount you repay each month on your mortgage will stay the same. Paying on a fixed-rate mortgage is a great way to minimize your exposure to inflation and rising prices.

**D**uring the last few years, many people began to look at their homes as simply a means to get rich.

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They bought houses with the intent to "flip" them and "get rich quick". Speculation drove home prices to unrealistic levels and eventually caused the home market to collapse. They forgot that we all need a place of safety. They tried to ride out the economic storm we just experienced, in houses (leaky boats) they could not afford, thinking someone else would come along and save them. Unfortunately, the country ran out of lifeboats.

For the average person a house should be purchased as a place to live. A home should give you a sense of security, a sense of belonging and a sense of stability. It should provide you and your family a safe haven from the storms which arise in life. Now, during the calm after the economic storm we've experienced, it is an excellent time to buy your next home. Make a wise decision today, and you won't need a country full of lifeboats in the future!

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