



Why It's Time To Buy



Excerpt from The Wall Street Journal | By Ruth Simon & Jessica Silver-Greenberg

Despite all the gloom, there are growing indications that it is a good time to buy. Mortgage rates, which fell to 4.55% for the week ending June 2, according to Freddie Mac, are near 50-year lows. Homes have become more affordable than they have been in years: According to Moody's Analytics, the ratio of home prices to income is now 20.9% lower than the 15-year average through 2010, and 12.5% lower than the 1989-2004 average. A historic glut of homes, meanwhile, has created a buyer's market: There were about 15 million vacant homes in the U.S. last year, according to John Burns Real Estate Consulting Inc.

Such conditions might not last long. Moody's Analytics predicts that the number of distressed sales will begin to fall in 2013, and that prices will begin to edge upward then. Home building is at a virtual standstill, so the supply overhang isn't likely to get much worse. Meanwhile, demographic indicators such as "household formation" - the number of new households each year - are on the rise, and promise to take a bite out of the glut in coming years.

The upshot: "While we might not see rapid growth in the next couple of years, there are a tremendous number of positive signs that could lead to a rebound," says Anthony Sanders, a real-estate finance professor at George Mason University.

The long-term benefits of homeownership remain very much intact.

For now, at least, you can deduct the mortgage interest on your taxes - a big perk for people in higher tax brackets. You get to paint your walls any color you wish, without having to clear it with a landlord. And assuming you can buy a home for about the same price as you can rent one, buying will give you the ability one day to live rent-free. Come retirement time, a paid-off mortgage means your monthly expenses are significantly reduced, and you have a chunk of equity to play with.

So what might the next five years look like? Once the foreclosure mess begins to clear up, say housing economists, the traditional drivers of the housing market - demographics, affordability, loan availability, employment and psychology - should take over.

Before buying a house, it is wise to compare rental prices for similar properties. To be ultraconservative, wait until the monthly outlays, including taxes and insurance, are equal. You also could factor in the tax savings of owning, which would make buying more attractive even if the gross monthly outlay is slightly higher.

Employment, the strength of the housing market depends largely on the economy. Rising incomes and increased employment tend to give more would-be buyers confidence and buying power.

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