

CLASSIFIED

REAL ESTATE

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HOUSE HUNTING



DIAN HYMER

Overall, time is right for buyers

Some people – including financial wizard Warren Buffett – think the United States is already in a recession.

Technically, economists define a recession as two or more consecutive quarters of negative growth as measured by the gross domestic product. Commonly, however, recession is a term used to describe a period of general economic decline.

The last commonly recognized recession in the United States occurred in 2000-2001 following the stock market crash of 2000. During that period, there were three quarters of nonconsecutive negative GDP growth. They occurred in the third quarter of 2000 and the first and third quarters of 2001. It wasn't until the third quarter of 2003 that GDP growth surpassed 3 percent.

During this recessionary period, housing slowed a bit in 2000 and was followed by robust appreciation for approximately five years in many housing markets around the country. The inventory of homes for sale was low; interest rates were at multidecade lows; and the stock market was perceived as an unsafe place to invest. So, money poured into real estate. Real estate was the bright spot in an otherwise sagging economy.

The same cannot be said about the current economic slowdown. This lull was brought on, at least in part, by the subprime credit crisis that started in August 2007. Housing is now seen as a source of the problem.

The peak home-selling season is approaching. Open houses, at least in the San Francisco Bay area, are already well attended. Interest rates are still hovering around the 6 percent level for conforming fixed-rate mortgages. And home prices have declined from a year ago in many markets around the country. This could be an advantageous time for house-hunters to buy a home.

The fear of recession and the possibility of lower home prices ahead have some prospective home buyers sitting on the fence. Many buyers will adopt the approach-avoidance stance until they see a clear sign that home prices in their area have bottomed out.

Keep in mind as you weigh your homebuying decision that it is impossible to time the housing market. We won't know the market has bottomed out until prices plateau or are on their way up. Also, consider that the home-sale market is a localized phenomenon. National trends may have little to do with what is happening in your neighborhood.

Homebuyers who take the plunge now need to feel comfortable with the notion that the market value of their home might decline before it stabilizes or increases. The key is to be sure that you won't need to sell during the downturn.

Keep a close eye on the inventory in your area. Many areas of the country have large inventories of unsold homes. New home construction is down as builders offer incentives to sell the inventory on their books. But, once the inventory is depleted, home-sale activity could gain momentum.

Some areas near metropolitan centers were built out decades ago. There's no land left for housing developments. Prices in these areas have held up better than in areas with a lot of unsold new construction.

Buying a long-term home when prices are low and interest rates are favorable is a good idea if you can afford it. Waiting could cost you more. It's a decision to make carefully.