



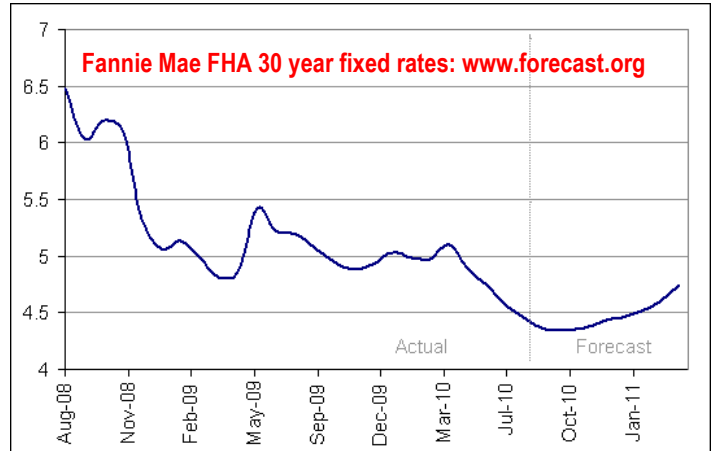
Why Buy a House Now? Shouldn't I Wait?

I can hear some of you already..."Here goes that crazy Realtor on another buy now 'cuz it's the best time ever rant..." Well, I can't believe you actually think... OK, you're right, here I go again.

I know a Realtor in our office who likes to remind us that most people are more motivated by the fear of loss than the chance for gain. It seems in this housing market, that is exactly what is going on. This market offers the best home buying opportunity in six generations. Prices depending on location, appear to be near the bottom, at the bottom or slowly on the way back up. Interest rates are being manipulated by the government and are way lower than they should be. Regardless of the outcome in this fall's election, most experts seem to agree that the federal tinkering will end sometime after the new year and rates will quickly begin to rise to actual market rates which should be in the mid fives to low sixes. By this time next year the expectation of many economists is that mortgage rates will be at least one percent higher than they are now.

So why is the real estate market not on fire right now? Perhaps it is the fear of loss being a greater motivator than the chance for gain. Nobody wants to lose money, certainly nobody wants to lose their home. The reality is simply this, if you qualify for a home loan and you are renting a place now, you are more likely to lose your rental unit than you are to lose a home you buy today. "Huh", You ask? There are many reasons one might lose their rental unit. A renter could lose their job and thus be unable to pay the rent. The renter could be forced out due to the landlord selling the unit. The renter could be priced out when the landlord raises rent. If you own your home you may face the loss of your job, but in the current market conditions you can stay in your owned home quite a bit longer than a landlord will tolerate no rent.

If the biggest motivator is in fact the fear of loss, then wake up and be afraid because you stand to lose one percent over the next 30 years. Let's just assume you take a \$200,000 loan at 5.5% next year because you were afraid of loss this year. So



your payment is \$1135.58. If you buy it today, even if you pay \$10,000 more in price you have a \$210,000 loan at 4.5% and a payment of \$1064.04. You could actually pay more for that house later even if the price drops. Interest rates for 99% of homebuyers is much more important than price. I should mention that many indicators are that this time next year prices may be higher, not lower and if rates and prices are higher you could lose out on the home buying opportunity all together.

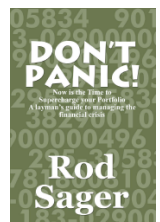
Timing the market is nearly impossible. No one knows what will happen one year from now. What we do know is that at this very moment we have the strongest buying opportunity since the Oklahoma land rush in 1889. If by chance you buy a home this year and there is a better opportunity next year, you still have the benefit of one year of not paying rent, one year of paying down on the mortgage, tax breaks, etc. Twenty years from now you will laugh at how you were worried about prices when your house you paid \$200k for today is worth a half a million dollars. Trust me, I know, I have enjoyed that laugh before, it feels good!

Just assume that prices fall a whopping 10% over the next year. A 200k house is now 180k. If rate rise 1% your payment will be about the same, but you will be one full year farther from paying it off. Remember, you will still feel the sting of higher interest long after the memory of price has faded.

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