

# THE ARIZONA REPUBLIC

## Is This a Good Time to Buy a House?

August 19, 2009

Many are wondering whether this is a good time to buy a principal residence. On 8/4/09, I attended a seminar by Fletcher Wilcox, V.P. Business Development of Grand Canyon Title Agency, Inc. Every month, Fletcher analyzes the trends in real estate sales in Maricopa County by compiling a detailed list of residential real estate statistics.

These include: number of sales broken down between single family, townhouse, patio, and condo style residences; median price; price per square foot; number of homes in foreclosures; and number of short sales. Real estate agents and brokers who want these monthly statistics can contact him at: [FWilcox@GCTA.com](mailto:FWilcox@GCTA.com) or (602) 648-1230.

A particularly revealing statistic is tracking the number of June, 2009 homes listed for sale at various price ranges divided by the number of homes actually sold. This equals the estimated months of supply, which vary by the price range of the home: Under \$50,000 price (1.2 months supply); \$50,000-99,999 (1.9); \$100,000-149,999 (2.4); \$150,000-199,999 (3.2); \$200,000-249,999 (3.4); \$250,000-299,999 (4.6); \$300,000-349,999 (4.3); \$350,000-399,999 (7.4); \$400,000-499,999 (8.4); \$500,000-599,999 (11.9); \$600,000-699,999 (13.2); \$700,000-799,999 (13.8); \$800,000-899,999 (44.9); \$900,000-999,999 (30.7). A normal balanced (between sellers and buyers) market is typically when there's 6 months inventory for sale. Other statistical sources as well as reports from the real estate investors

groups, confirm that there are often multiple buyers making offers for properties under \$350,000. Especially for properties under \$150,000, there is substantial competition because with 25% down, investors can rent the property for enough to cover expenses such as mortgage, taxes, insurance, and repairs. Based on local statistics, it looks like the housing price crash of the last 3 years may be over. Of course, if the economic crisis continues and unemployment does not improve for the next 2 years, there may not be much in the way of price increases of residential real estate. One has to first decide if one believes the real estate market has stabilized or prices will still decline.

The 2nd major issue to consider is whether to buy a lender owned (REO property that has been foreclosed); short sale (property where the owner owes more than the value of the house and the lender agrees to sell at a price less than the mortgage amount); or a normal house. The June 2009 sales statistics for average price per square foot are: REO (\$63.36); Short Sale (\$82.88); and normal sale (\$117.90). If one buys a REO or short sale, some houses will need substantial fix-up. On a short sale, one is negotiating mainly with the lender. It can easily take 60-100 days for the lender to negotiate the price and other conditions. If currently renting, you may have given notice that you will be moving out, only to find out that your offer to purchase your desired house was not accepted. Also, if the lender accepts your offer to purchase a short sale or REO, normally it's "As-Is", meaning that any repairs are



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the responsibility of the buyer. You have to decide whether the substantially lower sales price is worth the time and expense of repairs and the uncertainty of your offer being accepted.

The 3rd major decision is the most important: Do you feel secure that your job or self-employed business will continue to produce enough income to pay your mortgage payments, real estate taxes, insurance, maintenance, and other costs of owning a house? Unemployment is forecasted to increase over the next 1-2 years and it may be years before the economy has a strong recovery. If you are not sure, your choice is to either lease or lease with an option to buy. This way, you have a wide choice of homes, often with substantially lower monthly payments than buying a home.

Author: Dr. Harold Wong helps Seniors and Baby Boomers maximize retirement income and reduce taxes.

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