

Law of supply and demand says: Buy a home now

By DAVID ELLIS

For those first-time home buyers and even those looking to move up to a larger home, I offer a rather simple suggestion to start out 2008: Buy now.

Widely reported national statistics have shown a slump in the number of sales and price levels in the housing market not seen since the early 1990s. However, compared with national numbers, housing statistics in metro Atlanta paint a brighter picture, suggesting there might never be a better time to buy a home, which has created a buyer's market.

Given Atlanta's market stability, healthy economy, historically low interest rates, excess in the supply of new homes (yielding significant builder-to-buyer incentives) and the gains in energy and water efficiencies in new homes, this is an outstanding time to buy a home.

However, the window of opportunity is small. Despite news of record-level foreclosures, many economists and analysts believe loan defaults and foreclosures brought on by poor lending practices will begin to recede in the coming months, that the Atlanta market has bottomed out and



► David Ellis is executive vice president of the Greater Atlanta Home Builders Association.

that the housing market will soon show signs of a rebound, perhaps as early as mid-2008.

Recently, Roger Tutterow, professor of economics at Mercer University, provided some rather encouraging information at an economic briefing for the fourth quarter.

Home-buying conditions improved as measured by the most recent Metropolitan Atlanta Consumer Confidence Survey. As Tutterow noted, "We saw a significant improvement in consumers' perceptions of home-buying conditions in the most recent consumer confidence survey. The combination of more product selection and improved affordability are driving this improvement."

Nevertheless, supply is still greater than demand. The nature of the home-building process is much like the motion of a freight train. It takes a while to get up

to speed, carries a great deal of momentum and also takes a significant amount of time to slow down, hence the current excess in supply and highly motivated sellers, particularly among builders of new homes.

On the bright side for everyone, the economy here remains robust (one of the reasons Atlanta has not seen severe fluctuations in housing prices), highlighted by projections that Atlanta will show positive job growth when final numbers for 2007 are reported in the first quarter. Despite the doom-and-gloom articles on national statistics that appear regularly in print, the Atlanta housing market has shown considerable stability, along with cities like Seattle, Dallas and Charlotte, a long-term benefit for home buyers.

According to the federal housing price index, which covers both new home sales as well as resales, Atlanta home prices dropped only one-hundredth of a percent for the third quarter of 2007.

Former Federal Reserve Chairman Alan Greenspan was quoted in the Jan. 15 edition of The Wall Street Journal as saying he believes new home sales may have bottomed out because the number of

purchases financed by subprime and Alt-A mortgages — a category between subprime and prime — has fallen to zero.

Potential home buyers should remain mindful, as should homeowners, that a home is one of the best long-term investments one can make.

According to the National Association of Realtors, the value of a home doubles, on average, every 10 years. During the past three decades, home values have increased an average of 6.6 percent per year. Ultimately and for most, a home is not a commodity, it's a place to live. Buying a home is a solid long-term investment in your family and its future.

According to William G. Lako Jr., managing director of Atlanta-based Henssler Financial Group, "Homeownership is still most investors' largest investment. It remains a crucial component of wealth creation for most households."

Anyone considering buying a new home in 2008 would do well to act both quickly and prudently. The best deals on new homes are happening right now and will decrease as supply aligns itself more closely with the demand.