



4 Reasons to Buy a Home Now

by Kristin Bianco

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Is it still a good time to put your money in real estate? Here are four reasons why it might be a good idea:

Interest Rates Are Low

"Interest rates have been creeping up, but they're still extremely low," said Svenja Gudell, senior director of economic research at Zillow. Right now, mortgage rates across the nation are at about 4%. Gudell believes the Federal Reserve will begin raising short-term interest rates by the end of the year, but she expects them to stay relatively low.

According to Doug Lebda, founder and CEO of LendingTree, this historically-low interest rate environment can provide a compelling reason to lock into a real estate investment.

"At some point we'll look back and say 'wow, rates were really low,'" he said.

Home Prices Are Stabilizing

The latest S&P Case Shiller home price index shows prices increased less than analysts expected in May, but are still up almost 5% year-over-year, for residential real estate in 20 metropolitan regions across the U.S.

Some hot markets, like New York and San Francisco, are seeing record-high prices and bidding wars due to low inventory. But Lebda says builder confidence is growing, and as new homes are added to the market, price appreciation will slow down.

"Builders are buying big swaths of land and building homes, so supply will come up," he said.

James Zboril, president of Tavistock Development Company, is one of those developers adding to the country's housing supply. Zboril says his firm is on track to sell 475 new homes this year in the Lake Nona development near Orlando, Florida.

And in Manhattan, Leslie French, founder and CEO of East Egg Realty in New York, says while she's seen record high prices, "new condos have been entering the market and there are many more slated for 2016, which should create a better balance between supply and demand, possibly slowing the rise in home prices."

Owning Is Cheaper Than Renting

Zillow's Gudell says buying is more affordable than renting. In fact, she says home buyers are spending about 15% of their monthly income on their mortgage payment, while renters are spending 30%.

"Currently, homebuyers can breakeven on a home purchase in two years or less in 23 of the top 35 housing markets," she said.

Of course, there are barriers to owning, including difficulty saving for a down payment, especially with higher rents, Gudell said.

It's Easier to Get a Mortgage

Lebda says financing is getting easier as lenders are taking on more risk than they had been following the financial crisis. He said while the average down payment is 15% of the purchase price, there are new rules that allow some people to buy with a down payment as low as 3%.

According to Holden Lewis, senior mortgage analyst at Bankrate.com in Palm Beach Gardens, Florida, deciding whether it's a good time to buy is personal.

"It's not unsafe like it was in 2004 or 2005," he said. "It has more to do with whether a person is ready and whether or not their job is secure."

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