

## **Is Buying a Home in Today's Economy a Good Idea?**

As a long-term investment, homeownership is still one of the best investments for individual households.

"Why" you may ask? After all, the headlines say the housing market is down and out, with defaults rising at an alarming rate, and mortgage markets so frozen that buyers can't get a home loan at any price.

What buyers need to realize is that housing markets, like all markets, inevitably have their ups and downs. And homeownership has a track record that is virtually unmatched by any other purchase in terms of its real benefits.

Despite the turmoil in mortgage lending, if you have good credit, a job and steady income, you will find there is still plenty of mortgage credit to be had at good rates. For well-qualified buyers, rates are running at near historical lows.

### **Homeownership's Real Value**

Here are a few examples of why, dollar for dollar, homeownership is a solid stepping stone to a future of financial security and the single largest creator of wealth for many Americans.

Over the long-term real estate has consistently appreciated, even through periodic adjustments in local markets in response to economic conditions. On a national level, home appreciation has historically increased 5-6 percent annually, report economists at the National Association of Home Builders.

Five percent may not seem much at first, but here's an example that will put it into perspective: Say you put 10 percent down on a \$200,000 house, for an investment of \$20,000. At a 5 percent annual appreciation rate, that \$200,000 home would increase in value \$10,000 during the first year. Earning \$10,000 on an investment of \$20,000 is an extraordinary 50 percent annual return.

In contrast, putting that \$20,000 down payment into the stock market and getting a 5 percent gain would only yield a \$1,000 profit.

### **Compared to Stocks**

Looking at it another way, over a longer period of time, if someone put \$10,000 into the stock market in 1996, the average annual S&P return would make that investment worth \$21,500 today—an increase of \$11,500. The median home price in 1996 was \$140,000. Today, that same home would have gained nearly \$100,000 in value.

Don't miss out on the benefits of homeownership.