



2024 Edition



Important Considerations When **Buying a Home**



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The Current State of the Housing Market: Insights and Trends

You're probably wondering what the latest housing market news means for your home buying plans this fall. Here are the three top things to remember.

1. **There Aren't Many Homes Available for Sale Right Now**

Housing inventory is measured by the number of available homes on the market. It's also measured by months' supply, meaning the number of months it would take to sell all those available homes based on current demand. In a balanced market, there's usually about a six-month supply – but today, we only have about half of that. With inventory that low, buyer competition is up, and that means many homes often receive multiple offers. Working with a professional can help you be more competitive in this kind of market.

2. **Mortgage Rates Near 6% or 7% Are the New Normal**

Mortgage rates more than doubled in the 2022 calendar year. That's never happened before, and the rapid rise caused some buyers to delay their plans. But since last October, rates have settled a bit in roughly the 6% to 7% range. It's time to understand rates around 6% or 7% are the new normal. The rates we experienced a few years ago, like 3%, are now a thing of the past.

3. **Home Prices Are Going Up Again**

If you're keeping up with the news, you might be uncertain about what's happening with home prices and worried if things will get worse. Well know this, the worst home price declines are behind us and prices are appreciating nationally. But it's important to know prices differ depending on where you live. Overall, low inventory and relatively strong buyer demand are going to keep upward pressure on prices. Doug Duncan, SVP and Chief Economist at Fannie Mae, says this about home

prices right now:

“. . . housing prices continue to show stronger growth than what was previously expected . . . Housing's performance is a testimony to the strength of demographic-related demand . . .”

So, with prices going up again, if you find a home that suits your needs, it's probably not the best idea to wait.

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Unlocking Prosperity: The Intelligent Choice of Homeownership

Owning a home isn't just a financial transaction; it's a strategic move towards building a secure and prosperous future. Here are the top reasons why homeownership is a savvy investment:

1. **Building Equity: Your Personal Wealth Builder**

Unlike renting, where payments contribute solely to a landlord's wealth, homeownership allows you to build equity over time. Each mortgage payment increases your ownership stake, turning your home into a valuable asset.

2. **Stability and Predictable Costs**

Homeownership provides stability, allowing you to predict and control housing costs. Fixed-rate mortgages ensure consistent payments, shielding you from the fluctuations of rental markets and providing a sense of financial security.

3. **Personalization and Creative Freedom**

When you own your home, you have the freedom to personalize and customize your space. From renovations to interior design choices, homeownership allows you to create a living environment that reflects your unique style and preferences.

4. **Tax Advantages and Financial Incentives**

Enjoy the benefits of tax deductions on mortgage interest and property taxes. These financial incentives can significantly reduce your overall tax burden, providing additional savings over time.

5. **Long-Term Investment Potential**

Real estate has historically proven to be a sound long-term investment. Property values tend to appreciate over time, allowing homeowners to build wealth passively and potentially generate profits when it's time to sell.

6. Sense of Community and Belonging

Homeownership fosters a sense of community and belonging. When you own your home, you invest not just in a property but in a neighborhood. This creates a deeper connection to your surroundings, fostering relationships and a feeling of rootedness.

7. Retirement Security and Legacy Building

Your home can be a cornerstone of your retirement plan. Whether you choose to downsize, leverage home equity, or pass it on to future generations, homeownership can play a vital role in securing your financial future and leaving a legacy.

Owning your home is a strategic and intelligent choice that goes beyond shelter—it's a pathway to financial empowerment, stability, and the realization of your dreams. In a world of possibilities, homeownership is the key to unlocking the door to a brighter, more prosperous future.

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Questions to Ask Yourself Before Buying a Home

If you're thinking of buying a home, chances are you're paying attention to home prices and mortgage rates. Here are the top two questions you need to ask yourself – and what the data says – as you make your decision.

1. Where Do I Think Home Prices Are Heading?

One reliable place you can turn to for that information is the Home Price Expectation Survey from Pulsenomics – a survey of a national panel of over one hundred economists, real estate experts, and investment and market strategists. According to the latest release, the experts surveyed are projecting between 2.17% and 4.18% appreciation every year for the next five years. The worst price declines are already behind us, and prices are appreciating again. The green in the graph below shows prices are expected to keep appreciating this year and beyond.

So, why does this matter to you? It means your home will likely grow in value and you should gain home equity in the years ahead, but only if you buy now. If you wait, based on these forecasts, the home will only cost you more later on.

2. Where Do I Think Mortgage Rates Are Heading?

We know based on the latest reports that inflation has moderated from its peak. This is an encouraging sign for the market and for mortgage rates. Here's why. When inflation cools, mortgage rates generally fall in response. This may be why some experts are saying mortgage rates will pull back slightly over the next few quarters.

But not even the experts can say with absolute certainty where mortgage rates will be next year, or even next month. That's because there are so many factors that can impact what happens. So, to give you a lens into the various possible outcomes, here's what you should

consider:

- If you buy now and mortgage rates don't change: You made a good move since home prices are projected to grow with time, so at least you beat rising prices.
- If you buy now and mortgage rates fall (as projected): You probably still made a good decision because you got the house before home prices appreciated more. And you can always refinance your home later if rates are lower.
- If you buy now and mortgage rates rise: You made a great decision because you bought before both the price of the home, and the mortgage rate went up.

3. What Happens to Home Prices If Mortgage Rates Fall?

Plain and simple: Home prices rise as interest rates fall. Another important factor is the ever-increasing number of buyers who are waiting on the sidelines...waiting for mortgage rates to fall. When that happens there will be another feeding frenzy in the real estate market. That will lead to rapidly raising home prices and dreaded bidding wars. This strategy may cause buyers to pay more for a home, even with lower interest rates.

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Homeownership Protects You Against Inflation

In a world marked by economic fluctuations, homeownership emerges as a powerful defense against the erosive effects of inflation. Here's how owning a home can safeguard your financial well-being amid rising prices:

1. Appreciation in Real Asset Value

Real estate has a historical tendency to appreciate over time. As the cost of goods and services rises with inflation, the intrinsic value of your home typically increases, offering a tangible hedge against the diminishing purchasing power of currency.

2. Fixed Mortgage Payments Provide Stability

One of the key advantages of homeownership lies in fixed-rate mortgages. While renters may face escalating rents in an inflationary environment, homeowners with fixed-rate mortgages enjoy the stability of consistent monthly payments, providing financial predictability.

3. Home Equity as a Financial Fortress

As your mortgage is gradually paid down, you accumulate home equity. This equity serves as a financial buffer, offering liquidity and the potential for growth. In times of inflation, having a substantial equity stake provides a safety net against economic uncertainties.

4. Renting Alternatives and Investment Strategies

Homeownership allows you to capitalize on property appreciation while also presenting opportunities for alternative income streams. Renting out a portion of your property or investing in additional real estate can be strategic moves to further fortify your financial position.

5. Tangible Asset in an Inflationary Storm

In times of economic turbulence, the tangible nature of real estate adds a layer of security. Unlike purely financial assets that can be susceptible to market volatility, your home is a physical asset that retains value even in inflationary periods.

In the complex chessboard of personal finance, homeownership emerges as a strategic move to protect your wealth from the eroding effects of inflation. With the potential for property appreciation, fixed mortgage stability, home equity resilience, and strategic investment opportunities, owning a home is not just about shelter—it's a resilient fortress in the face of economic uncertainty.

Why Homeownership Wins in the Long Run

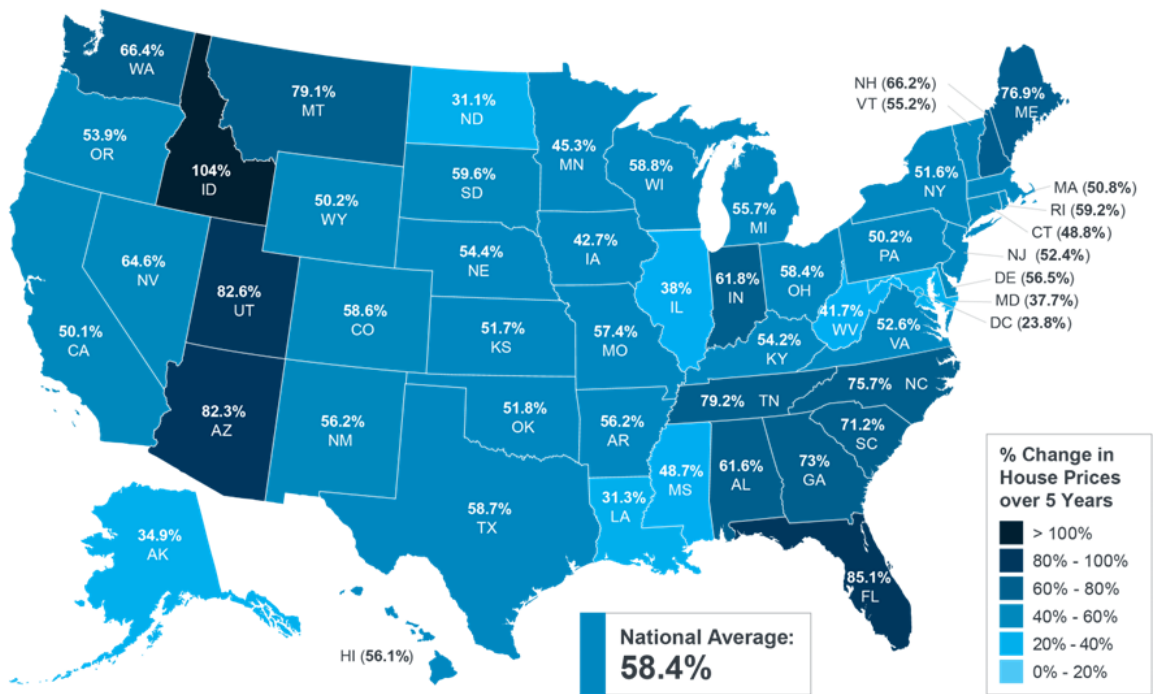
Before deciding if you're going to buy a home right now, think about the advantages it can bring you in the long run. If you ask current homeowners, you'd probably have a hard time finding someone who regrets their decision to buy a home. That's because home values grow with time. Here's a look at how home price appreciation can really add up over the years.

Home Price Growth over Time

The map below uses data from the Federal Housing Finance Agency (FHFA) to show home price gains over the last five years. The map is broken out regionally to convey larger market trends. You can see home prices grew on average by about 57% nationwide in a five-year period. Different regions vary, but overall, home prices gained solid ground in a short time. And if you expand that time frame even more, the benefit of homeownership and the drastic gains homeowners made over the years become even clearer

Percent Change in Home Prices

Over 5 Years, Q4 2022



Source: FHFA

The Importance of Getting Pre-Approved

Embarking on the journey to homeownership comes with a pivotal step that should not be overlooked: getting pre-approved for a mortgage. Here's why securing pre-approval is a crucial key to your home buying success:

1. Enhanced Negotiating Power

Sellers often prioritize offers from buyers who have been pre-approved. Having a pre-approval letter in hand signals to sellers that you are a serious and qualified buyer, strengthening your negotiating position in a competitive market.

2. Clear Understanding of Affordability

Pre-approval provides a clear picture of what you can afford, factoring in your income, credit history, and other financial considerations. This knowledge helps you set realistic expectations and make informed decisions about your home purchase.

3. Prevents Disappointment and Delays

Discovering your dream home and then realizing it's beyond your financial reach can be disheartening. Pre-approval prevents such disappointments by ensuring you focus on homes within your budget, avoiding delays and potential letdowns.

4. Identifies Credit Issues Early

During the pre-approval process, any potential credit issues can be identified and addressed. This proactive approach allows you to improve your creditworthiness, potentially securing a better mortgage rate.

In the intricate dance of real estate, getting pre-approved is your choreography for success. It not only streamlines the process but also empowers you with the knowledge and confidence needed to make informed decisions on your path to homeownership. Don't just open the door to your dream home; step through it with the assurance of pre-approval.



Get Clarity on the Housing Market with Help From a Real Estate Expert

A real estate expert knows a lot about what's going on with home prices, the number of houses available, and what the experts predict. They use this knowledge to help you when you're buying a home. Get Clarity on the Housing Market with Help from a Real Estate Expert

Jay Thompson, Real Estate Industry Consultant, explains:

“Housing market headlines are everywhere. Many are quite sensational, ending with exclamation points or predicting impending doom for the industry. Clickbait, the sensationalizing of headlines and content, has been an issue since the dawn of the internet, and housing news is not immune to it.”

Unfortunately, when information in the media isn't clear, it can generate a lot of fear and uncertainty in the market. As Jason Lewris, Co-Founder and Chief Data Officer at Parcl, says:

“In the absence of trustworthy, up-to-date information, real estate decisions are increasingly being driven by fear, uncertainty, and doubt.”

But it doesn't have to be that way. Buying a home is a big decision, and it should be one you feel confident making. You can lean on an expert to help you separate fact from fiction and get the answers you need. The right agent can help you understand what's happening at the national and local levels. Plus, they can debunk the headlines using data you can trust. Experts have in-depth knowledge of the industry and can provide context, so you know how current trends compare to the normal ebbs and flows in the industry, historical data, and more.

Then, in order to ensure you understand everything completely, an agent can inform you whether your local area is following the national trend, or if they're noticing something distinct in your market. Together, you can use all that information to make the best possible decision. After all, making a move is a potentially life-changing milestone. It should be something you feel ready for and excited about. And that's where a trusted guide comes in.

Let's Chat

We're sure you have questions and thoughts about the real estate process.

We would love to talk to you about what you've read here and help you on the path to buying a home. Our contact information is listed below, and we look forward to talking with you.



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