

Top 5 Reasons to Buy a House Right Now

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Buying a house is a highly individual decision—and a local one—but current trends are creating a favorable situation for many would-be homeowners.

Interest rates are low, employment is rising, home prices—in most markets—are still well below their peaks, and rents are through the roof.

Every family and each individual has various factors affecting the ability and the decision to buy a home. If you live in a market where studio apartments are \$2,400 per month—while nearby condos sell for \$300,000—it might make sense to buy a house instead.

(Remember, a local REALTOR® always is your best resource in helping you assess market conditions.)

Five Compelling Reasons to Buy a House Right Now

1. Interest Rates Are Still Low

Mortgage interest rates are still low—for now.

A 30-year-fixed-rate loan now averages 4.16%, according to Freddie Mac, but many economists believe we will see 5% rates next year. As interest rates increase, so do your monthly payments.

A \$300,000 house at 4.16% with 20% down would have a monthly payment of \$1,168. With a 5% interest rate, that payment increases to \$1,288.

2. There's More Inventory

As more houses enter the for sale market, prices stabilize.

“Inventories are at their highest level in over a year, and price gains have slowed to much more welcoming levels,” said Lawrence Yun, Chief Economist at the National Association of REALTORS®.

The upside is consumers now have more choices, if they are looking at existing homes.

New homes are another story: Yun says new construction needs to double its current production to meet market demand.

3. Home Prices Are Going Up

Home prices are rising.

The median price of an existing home was \$223,300 in June, or 4.3% higher than June 2013. That's the 28th consecutive month of year-over-year price gains, and economists expect that trend to continue. However, we are still at least 20% off the peak prices of 2006.

"Attempting to buy a home when the market is at its lowest point—or to sell at the peak—is tricky," said Jonathan Smoke, Chief Economist for realtor.com®.

He compares it to trying to time the stock market.

"You might get lucky one or two times, but overall, timing the market does not work," Smoke added. "It all points to purchasing power, and that's a reflection of price and interest rates, which will both be higher in the future."

4. Rents Are Sky-High

If you live in a big city, then you know rent is astronomical. In San Francisco, many people are spending 42% of their monthly income to pay the rent. Nationwide, rents are rising at a 4% annual clip.

It's not unusual to see adults rooming together in expensive cities like New York, San Francisco and Chicago, but everyone needs his or her own space at some point.

Buying a home would lock in your monthly payment and stabilize your finances with a fixed-rate mortgage. This is, of course, assuming you don't live the San Francisco area, where the average price of a home is \$1 million.

(If you're renting and never thought you could afford to buy a house, try our Rent vs. Buy calculator to see what's possible.)

5. Employment on the Rise

Perhaps nothing is as important to the financial stability you need to buy a home as steady employment. The U.S. economy is finally adding jobs—about 200,000 new jobs per month.

The next generation of home buyers—the millennials—has been particularly affected by the nation's job slump. Saddled with student loans and tight lending restrictions, many in this generation have been living with their parents to save money until the economy picks up.

If your employment prospects look good these days and the other four factors check out, then it may indeed be the right time for you to buy a home of your own.