

Inflation spurs boom in old homes, broker says

Older existing homes may become the prime target for first time home buyers over the next few years, according to the United Northwestern Realty Association (UNRA).

"In the past, most young families had thoughts of buying a brand new home but usually were willing to settle on a newer existing home having most of the desired features at a lower price," states John J. Kelly, UNRA president.

"Now with the total costs of home ownership rising at a faster rate than most incomes, many of these families are looking at older homes that may require a certain amount of work."

A study recently reported by university urban affairs experts predicted that new home costs may increase by 75 per cent over the next four years.

"Prices for newer existing homes generally follow the same trend as new homes but at a lesser rate," Kelly said. "The study showed that only about one in four families today can afford to buy a new home compared to about half in 1970. There also has been a decline in the number that can afford the newer existing homes."

He said more families now are trying to counteract the rise in prices by cutting back on their expectations for their first home and working to establish an equity.

"It has been demonstrated that the increase in housing costs during the past five years has been much less for families selling one home and buying another and for those retaining ownership of a home," he stated.

"Thus, many families want to move into the market as soon as possible and are willing to settle for a lesser home than what may have been envisioned. Those who have shopped around are beginning to appreciate what older homes have to offer."

First, they obtain more living space per dollar than in the new housing market. The often unrecognized costs involved with a new house—landscaping, fencing, storms and screens, for example—are for the most part non-existent.

The need for essential repairs, which contribute to the lower price for an older home, can be financed through a short-term note to avoid spreading them through the life of the mortgage.

"Non-essential changes can be made as finances improve or as they are desired. If family members can accomplish all or part of such renovation, the increased equity in the home may surpass their repair investment."

Kelly said that families moving into older established neighborhoods generally are not faced with special assessments for paving, sewers, street-lighting and other costs often encountered in newly-developed areas.

The UNRA president noted a decline this year from 1976 in the number of existing homes being listed in the association's territory which covers most of western Wayne and Oakland counties.

"With interest rates down and a plentiful supply of mortgage money, sales have climbed," Kelly said. "With the increased number of households being formed, we see the market tightening up with stronger competition among buyers. Gradually, we will begin to encounter shortages of good listings in some areas."

"While most areas still offer a good variety of homes and a broad price range, they may not remain as plentiful as they have in the past few years."

Heard any good lady jokes lately?

Humorist Ann Beatts, writer for "Out," "National Lampoon," "Ms.," "Saturday Night Live" and "Hitters" will speak in the Recreation Organization Center of the University of Michigan-Dearborn at 8 p.m. Wednesday, March 30.

The U-M-D Office of Student Life is sponsoring the lecture, and admission is \$1.


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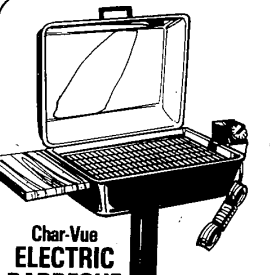
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