There's plenty of choices

High interest rates plus inflation equals sluggish home market

By JOHN HALSER

. Halser's remarks concerning "What Can Area Home Buyers and Sellers Expect in 1980" were presented re-cently at the Detroit Press Club.

contly at the Detroit Press Club.

I'd like to review with you briefly our views on the 1980 residential real estate market. But in order to see where we are going, let's take a look at where we were a year ago and what has happened since.

We entered 1979 on a very high note after three record years of home buying. Average home prices clubwadout 14 percent during 1978 to reach a level just over \$47,000.

Listings, hat had been in short superply through the year, the second prices clubwadout increase in bethe typical 20 percent downpayment. 30-year convenient downpayment. 30-year convenient downpayment. 30-year convenient.

This interest rate seemed high at

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This interest rate seemed high at that time but passing the alleged barrier of 10 percent was proving to be no deterrant to buyer interest.

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Last year, I think we may have shocked some of you by stating that interest rates would top 12 percent during 1979. We also said that this increase would begin to retard house asles, but would make more listings available and slow the pace of increasing prices. This is exactly what has happened during the year.

January was our last month of sales ain over the previous year. In the first gain over the previous year. If the in-three quarters, average price gains slowed to a 9.3 percent rate with sales off about 10 percent from the same 1978 period.

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CTURED L TO R: Sherry Bazzell, Michelle Allen, Ed Salsberry, Jan Foreman

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Sherry Bazzellis a licensed cosmetologist and a graduate of the Vidal Sasson Hair Training School. Michelle Allen is a licensed Barber/Stylist, Owner and Style Director of headstart.



John Halser is a Realtor with John Halser is a Realtor with Norwood Number One, Inc. and president of the 4,500 member Western Wayne Oakland County Board of Realtors. It is one of the largest boards in the state doing business over a 1,600-square-mile territory.

LISTINGS BEGAN to increase and even some of the better homes began to remain on the market longer as in-terest rates climbed to 11.5 percent in mid-year.

As these rates continued to edge up As these rates continued to edge up in the third quarter, buyer resistance increased although average prices took a slight downward trend. However, it is in this final quarter tht we are experiencing the pattern that we see continuing well into 1980. The

typical interest rate being offered buyers on a conventional 20 percent downpayment mortgage is about 13.5 percent. Which means that within the

downpayment mortgage is about 19.5 percent. Which means that within the year, this rate has climbed three full percentage points from the seemingly high 10.5 at the year's beginning. What does this mean for the typical home buyer who must be concerned about what share of take-home pay can be allocated for housing payments? Monthly \$50,000 home with a 20 percent down payment mortgage would have been \$365.90 in January. Now it is \$457 or \$91.10 more. Even with this high rate of interest, mortgage funds have tightened up considerably. Many depositors are shifting their savings into both short-and long-term documents that offer a high yield. Many lenders have foropped out of the market, reduced this portion of their business, or become increaseingly cautious about qualifying buyers.

With these flowing about at 6 percent drop in sales from 1978 and a 15 percent increase in listings.

DURING THE first 11 months of

DURING THE first 11 months of 1978, the average price for a home through our territory was about \$44,100. In the same period in 1979, this average price had climbed to about \$53,100 or by about 20 percent.

This figure is somewhat distorted by This figure is somewhat distorted by an increased number of higher-priced homes in the market which pushed the average up. The median price would be several thousand dollars lower. With present market condi-tions, we anticipate the average for

homes sold by our members in De-cember will be close to \$52,000 Micho compared to the \$47,700 average last December or a 9 percent gain. Considering the increased prices and the drop in sales, total dollar vol-ume for homes sold by our members in 1979 should be close to last year at \$317 million. Change we have noted.

In 1979 should be close to last year at 3817 million.

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1818 million change we have noted in recent months is the increased number of home-buys being accomplished with other than conventional mortgages linancing. In November, for example, the percentage of conventional mortgages in sales by our members dropped to 24.3 percent from the 64.7 percent of a year earlier. For the same period, mortgage assumptions climbed from 18.8 percent to 28.3 percent, land contracts were up to 28.5 percent from 6.7 percent. As we move into the next decade of the contracts were up to 28.5 percent from 6.7 percent. As we move into the next decade of the contracts were up to 28.5 percent from 6.7 percent. The contracts were up to 28.5 percent from 6.7 percent. The were contracts were up to 28.5 percent from 6.7 percent. The were contracts were up to 28.5 percent from 6.7 percent. The were contracts were up to 28.5 percent from 6.7 percent. The were contracts were up to 28.5 percent from 6.7 percent. The were contracts were up to 28.5 percent from 6.7 percent. The were up to 28.5 percent from 6.7 percent. The were up to 28.5 percent from 6.7 percent. The were up to 28.5 percent from 6.7 percent. The were up to 28.5 percent from 18.6 percent from 18.6

RECORD INTEREST rates, a tighter money market, the high rate of inflation, growing unemployment and uncertainties about the economy are currently being felt in real estate as they have in other recessionary periods.

ods.
From our own experience, we know that many would-be buyers are holding back to see if there will be a substantial drop in home prices or a sig(Continued on page 5)



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