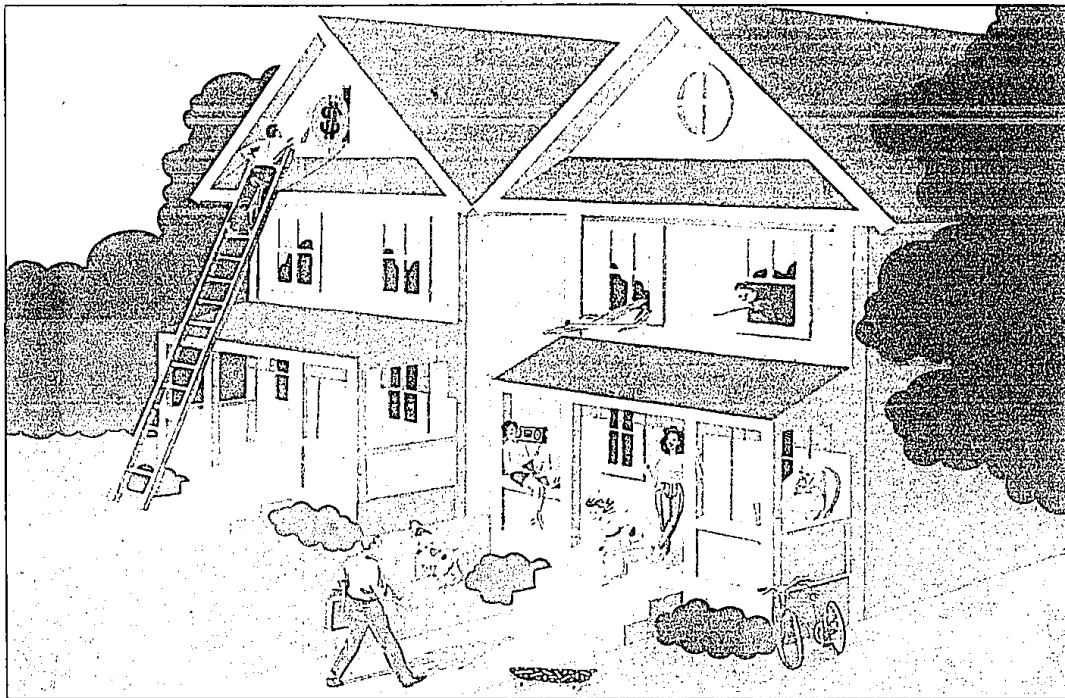


Building Scene

Marilyn Fitchett editor/591-2300

Thursday, September 28, 1989 O&E

(*1F)*1H



Home is where the heart and investment are

By Doug Funke
staff writer

Home acquisition followed courtship, marriage and pregnancy a generation ago because it was part of the American Dream.

Lifestyle — having a detached dwelling of your own with a lawn and maybe a garden — was the primary motivation for buying a house. It was the thing to do.

More recent buyers have a slightly different focus.

Singles, DINKS (double income, no kids) and even couples with children now search for housing with one eye on tax deductions and value appreciation and the other eye on lifestyle.

Some experts are holding warning flags about looking at home ownership strictly as an investment.

They say large annual jumps in

housing values the past few years can't continue.

They say that as home values and taxes rise faster than income, some buyers who jumped on the bandwagon late, bought high and are mortgaged up to their eyeballs may begin to feel a financial pinch.

More and more players can't get into the game as housing prices rise.

A FLAT OR declining birth rate reduces the pool of potential purchasers even more and at several levels along the buying spectrum. A shrinking demand with a large supply could reduce housing's value.

Financing options become more important.

Given all of that, is owning a home still a good investment?

Yes, say financial planners, brokers, and experts who monitor the housing market. But they hedge their

advice with qualifications.

"I still tell people that a home is the way they should probably proceed," said Tony Vadino, a certified financial planner and partner with Sigma Financial in Ann Arbor.

"Home ownership is a good step in a family's financial planning," he added. "It's the only purchase you can make with borrowed money and get a tax break on."

But then Vadino added the caveat. Buy what you can afford now.

"In a lot of cases, financial planners have to say, 'Step back and realize it took your parents 40 years to get where they are now,'" he said.

"Do you want to have a monstrous house, no furniture and not do anything for 10 years?"

R.C. MUELLER, owner/broker of K.C. Colonial Real Estate in Plymouth, said home ownership always will be a good investment — unless Congress further erodes tax benefits.

"You almost can't afford not to (buy) with the present tax structure," she said.

Mueller also warned buyers about getting in over their heads and suggested that some property owners in her primary sales area, Plymouth and Northville, are starting to develop an overinflated opinion of the value of their homes.

Thomas Hogan, a planner and president of Spectrum Financial Corp. in Livonia, offers another reason

for home ownership as an investment.

"It appreciates in value, most of the time, faster than other investments," he said. "As we have more two-income families and they defer children... investment aspect of a home becomes more important."

"They want to make sure buying a house is a good investment since they put so much into it," Hogan said.

JOHN PFISTER, vice president and manager of market research for Chicago Title and Trust Co., mentioned the other side of the coin tossed by Hogan.

"Certainly it (a house) is not at risk like other investments," he said. "It's not going to move like the stock market."

"If you're going to have one investment, make it a house," Pfister said.

But a house is a good investment only as long as it appreciates faster than the inflation rate, he added.

The June edition of Money Magazine calculated a negative inflation adjusted return on home ownership in all of metropolitan Detroit from the first quarter of 1988 to the first quarter of '89.

The magazine also projects a negative return for the similar '89-90 period in Detroit — only one of three metro areas in the country expected to have a negative return for that

'You're assuming lifestyle means nothing. I don't see people making that decision. I see people vote first with their hearts.'

— Tony Vadino
Financial planner

time period.

WILLIAM MACK, vice president of Pearl & Mack Advisory Corp. of Farmington Hills, won't claim that housing is a great investment.

"We can invest elsewhere and get a higher rate of return than housing (appreciation) over the last nine years and have better liquidity," he said.

That doesn't mean that Mack turns up his nose at home ownership.

People, who have to live somewhere, don't buy a house strictly as an investment, he maintained.

A preference for a lifestyle possible through ownership rather than renting may be the seed that is nurtured by potential for financial gain.

"I think they use investment potential simply to fulfill the dream of owning property," Mack said of home buyers.

Vadino concurs.

"You're assuming lifestyle means

nothing, that you're going to go either way (buy or rent) based on economics. I don't see people making that decision. I think people vote first with their hearts," he said.

BROKER MUELLER said the finds that lifestyle is more important than investment potential for 60 percent of her first-time buyers. Lifestyle is also rated as more important by the vast majority of those who buy up, she said.

Still, Hogan says he sees more and more people looking at the investment potential in a house.

But when such comes to shove, it doesn't really matter, Vadino said. Value of a home is basically a number on an individual's balance sheet.

"How many people ever use equity in a house except to buy another house? Not many and I don't think they should," Vadino said. "You're always going to need a place to stay."

Personal values can set housing choices

By Doug Funke
staff writer

Walter and Avalon Gilbert, retirees, live in the same house they bought brand-new in their Redford subdivision in 1950 for \$11,000. They still enjoy the neighborhood, winter in Florida and say they have no intention of selling.

Karl and Connie Gansler II, he a manufacturers representative, she a secretary, recently moved from a house in Plymouth to Gansler's dream home on Osborn Lake in White Lake Township.

Fred and Cindy Jones (not their real names) live in an apartment in Farmington Hills while saving for a starter home in Oakland County. He's a journalist, she's a clerk.

They all maintain that lifestyle rather than investment potential attracted them to home ownership.

But the younger the buyer, the more investment potential seems to become a factor.

THE JONESSES — he 30, she 27 — hope to be in a position to buy next year, Fred said. They've saved nearly \$8,000 from wages since getting married nearly two years ago.

"We probably could buy a house in

Garden City now," Jones said.

"I think that's taking too much of a chance where the market is and where we want to go. Appreciation is questionable. We could be farther behind if we buy a starter home in an area that's leveled off."

The Joneses both grew up in Oakland County and want to live fairly close to the Jewish community in metro Detroit. They have targeted Novi as a possible city for house hunting.

"We want kids, we want a dog, we want a back yard," Jones said.

Approximately 80 percent of the decision to buy reflects the desire to experience a lifestyle, he said.

"We're looking at areas we think will appreciate so in 10 to 12 years, when we're ready to move beyond a starter home, we'll get some help," Jones said. "This is where the investment comes in."

THE GANSLERS — he 48, she 35 — paid between \$80,000 and \$100,000 this summer for their two-bedroom house on a lake, Karl said.

"I have been looking for probably the last 20 years for something that wasn't far away from the metro

Please turn to Page 3

Chestnut Ridge

FARMINGTON HILLS
PRESTIGIOUS ADDRESS

Final Phase NOW Under Construction
Limited Number of Units Left

Chestnut Ridge Condominiums offers you a dramatic club house view from the highest vantage point in Farmington Hills.

Located on Halsted 3/4 mile North of 12 Mile is designed to provide the convenience of condominium living with privacy of a single family home. Only 3 miles from 12 Oaks Mall the largest shopping area in Michigan, Chestnut Ridge is conveniently located in major expressways and recreational facilities.

Features Included:

- 1000 to 2,300 Sq. Ft., 2 and 3 bedrooms with den, 2 1/2 baths, 2 car garage
- Master bath with extra large 3'x6' tub and separate shower with glass enclosure
- Appliances, including built-in electric cook top, self-cleaning oven, microwave and dishwasher
- Solid-masonry wood-burning fireplace with brick or marble finish
- Recessed lighting
- Enclosed, private brick courtyard

Priced From \$175,000

MODEL OPEN
11:00-5 Daily
12-5 Sunday
Closed Thursday

MODEL PHONE
489-7177

building company
Custom Builders