

To buy now or later seems to be question

AP — The traditional spring home-buying season is about to bud, so it's time for prospective purchasers to start looking.

Or is it? Mortgage rates are at their lowest level in four years and home prices in many areas have been declining for months, helping boost the ability of a typical family to buy a home to its highest level in 13 years by one industry measurement.

At the same time, inventories of unsold homes are piling up in some areas, making homeowners — particularly those with deadlines — anxious about their ability to unload their houses and real estate brokers hungry for deals.

"I think it's probably one of the best opportunities we've seen in a number of years," said John Savacool, a housing economist with the WEFA Group in Bala Cynwyd, Pa.

"It's a buyer's market," agreed Elliott Platt, an economist with Donaldson, Luftin & Jenrette, a New York securities dealer. "But the buyer still would be well advised to be patient" because there is room for prices and rates to fall further.

So if it's a buyer's market, why are sales at their lowest point since the last recession?

ECONOMIST MARTIN Regalia of the National Council of Savings Institutions says prospective buyers are uncertain about their incomes and futures because of the recession. "I think people are really saying to themselves, 'Let's wait and see just how low it goes.'"

Some prospective buyers also have expressed concern that prices will continue to weaken, depressing the value of any home they buy.

But John A. Fusillo, chief economist for the National Association of Realtors, says that "if you buy for the long term, chances are you'll come out way ahead."

Regalia, himself a prospective home buyer who's not sure he's ready to take the plunge, says it is time for buyers "to be getting into the market now." "If you anticipate getting into the market, now is a good time to start doing the groundwork ... checking on what financial institutions will lend, how much down, how many points, how quickly they could close on a loan," he says.

SURVEYS BY the Federal Home Loan Mortgage Corp. found 30-year, fixed-rate mortgages averaging less than 9.5 percent this month, down from nearly 11.5 percent just two years ago and the lowest level since March 1987.

Some analysts doubt rates will fall much more. The Realtors group says the median price of an existing home dropped from \$96,300 in January 1990 to \$91,900 in December. The median price of a new home, according to the Commerce Department, fell from \$127,000 at the beginning of 1990 to \$120,000 in November.

The median means half the homes cost more, half less. "Platt suggested prices could fall an additional 10 percent nationally and perhaps as much as 20 percent in some areas of the Northeast and West, where inventory problems are expected to eventually drive down costs."

But economists David Berson and Mark Obrinsky of the Federal National Mortgage Association don't see any substantial rise in prices even with increased demand if consumers jump back into the market.

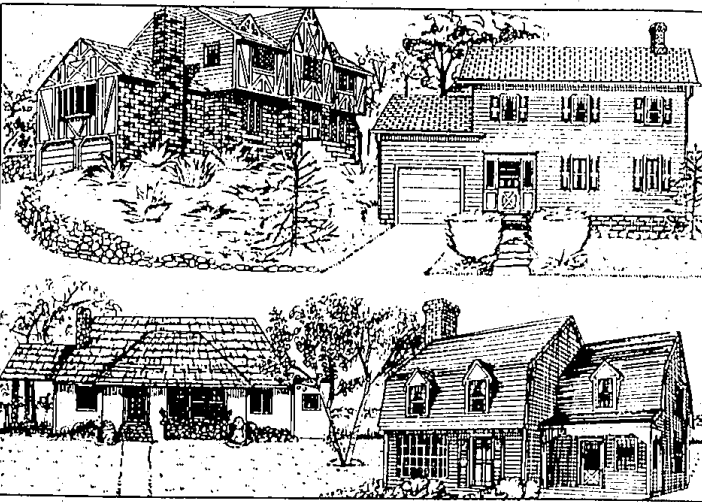
"First, the unemployment rate should continue to rise for most of the year, keeping demand from surging," they wrote in Fannie Mae's Monthly Outlook.

"Second, with expectations of price appreciation significantly reduced, home buyers are likely to renege on bid prices. We expect the median price of new homes sold to rise by just over 1 percent and the median price of existing homes sold to rise by less than 1 percent this year."

Nationally, the Realtors said an index measuring the ability of a typical American family to buy an existing home rose for the fifth straight month in December.

"These positive home buying conditions, which are better than they've been for more than a decade, are too good to pass up," said Harley E. Rouda, president of the real estate industry group.

"It's a great time for the first-time buyer," the WEFA Group's Savacool concurred. "However, if you've got to sell first, it's a crummy time. Inventories (in some areas) are sky high," making it difficult to obtain asking prices.



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