

Real Estate Board Predicts Banner Year For Home Buying

With a record volume of available properties, a higher proportion of qualified buyers, and more readily available supply of mortgage money, 1973 should be a banner year for real estate.

These are the conclusions drawn in a recently published research paper generated by the National Association of Real Estate Boards' Department of Research. The paper explores many facets of the real estate industry and copies of it will be available to any interested members.

Consumers Will Find Wide Choice In Housing Markets

Innovation in the structure of housing markets, particularly mortgage financing, is providing opportunity for an increasing number of young families to put into effect plans for moving

up the housing scale. Factors of both supply and demand point to a vigorous year for new as well as existing home sales. At the same time the inventory of units available for rent in most areas has been rising and, in the months ahead, families preferring to rent will have a variety of choices open to them.

Existing Home Sales Lead Market

Sales of existing homes will approach 3.5 million units this year, more than two and one-half times the rate of new home sales. The remarkable strength of this market can be attributed to many favorable factors which will continue throughout 1973.

Growth in income and employment has enhanced opportunities for economic and geogra-

phic mobility. For example, indicators of labor force mobility are higher and the Census Index of Consumer Intentions to buy a home was up sharply. The October Index stood at 123.5 compared to 110.1 in July. The index also shows consumers are more confident in their ability to maintain and improve their incomes and more willing to enter into the long-term commitment associated with buying a home.

Of particular importance to a vigorous real estate market is the young buyer. Approximately one-half the expected home purchases will be by buyers under 35 years of age. Having formed families and established careers, they are in a position to assume the responsibility and advantages of home ownership. Most will satisfy their housing needs by acquiring an existing home.

The availability of mortgage credit and the growth of low down payment conventional financing will enhance all sectors of the housing market. They will prove particularly advantageous to the young buyers who can avoid the delay of accumulating a substantial equity.

Housing Inventory Will Be Well Maintained

Currently, the housing inventory totals approximately 72 million units. Diverse and adaptable, the vast reservoir of housing in most communities capable of meeting a variety of needs as changes take place in the economy.

In mid-1972 expenditures for maintenance, repairs, and improvements, were at a record annual rate of \$17 billion. Such expenditures will grow an additional 10 per cent in 1973 as property owners continue to upgrade and preserve the liveability of existing homes.

Mortgage Market Will Be Favorable

The flow of funds between savers and borrowers will be more orderly than at any time in the recent past and, with mortgage credit more readily accessible, interest rates should remain at current levels.


Home buyers seeking conventional loans will continue to find a broad range of terms available and a greater opportunity to match long-term mortgage commitments more closely to their financial position.

In some areas financing for income property may be more difficult. Though funds are available, higher rental vacancies are making lenders more cautious. In these areas lenders will be more selective and more prone to confine lending activity to very well-situated buildings.

Competitive demand for long-term funds portends well for the mortgage market. While personal savings have declined from a year ago, thrift institutions have been receiving a greater share of the savings dollar.

Record cash flows in the business sector will minimize their need to borrow in the capital markets. Greater reliance on internal sources of funds is already evident. Corporate borrowing of long-term funds during the first three quarters of 1972 was well below the level for the same period a year ago, while corporate holdings of financial assets reached a new peak, nearly \$7 billion higher than last year.

State and local government bond issues have declined about four per cent during the first 10 months of this year. These governments are experiencing less budgetary strain because of increased tax revenues, declines in school construction needs, and benefits from the new Federal revenue-sharing program. If the Federal government is successful in holding its budget deficit to this year's level, we can expect an adequate supply of long-term credit at least through 1973.



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