

Realtor sees bright side to sagging market

By Jackie Klein
staff writer

Government is stymieing the American dream of home ownership. Despite that, real estate is a good investment in today "buyer's market."

That's the appraisal of Paul M. de Brow, 38, recently named director of the Southfield-based Century 21 of Michigan Inc. De Brow also predicts a gradual upward trend in the economy.

"With pressure on the government, mortgage interest rates are sure to go down in this election year," he said.

"But buyers will pay less today than when construction picks up and prices go up."

"Even though mortgage rates drop for many it makes good financial sense not to wait. It might well be advantageous to buy today and refinance later."

The financially distressed automobile industry also has jarred the American dream, said de Brow. With jobs in jeopardy, many consumers now lack the ability and the desire to buy.

But there's a pent up demand for housing, de Brow said. And as interest

rates begin to decline this spring, it should create a more positive attitude and public confidence, he said.

"WHEN YOU consider that, nationwide, 85 percent of persons between the ages of 35 and 65 own their own homes, you can't dispute that's the American dream," de Brow said.

Despite current high mortgage rates, this is an excellent time to buy property, de Brow said. Buyers have a wide variety of houses to choose from, with many more on the market than a year ago, he said.

Interest rates have held prices down in the "buyer's market," de Brow said. But this could be the calm before the price storm, he said. And, he noted, there actually is a housing shortage because of the lagging building industry.

The fixed-rate 30-year mortgage is becoming obsolete as lending institutions are wary of committing themselves to a certain percentage for that length of time, de Brow said.

"Mortgage terms must be more creative," he said. "Alternate financing methods to help buyers have a positive effect on market conditions."

"Land contracts are becoming as commonplace as 30-year mortgages. And even with the 11-percent fixed rate, land contracts aren't offering greater selling prices."

ONE FINANCING method, negative amortization, would enable young persons born during the baby boom of the 1950s to afford to buy the houses they've been deprived of in this economy, de Brow said.

As an example, a person could buy a house at 15-percent interest and pay 9 percent a year until they can afford to make up the deficit. It's the concept of "buy now, pay later," de Brow said.

"Many young couples are doubling and tripling up or living with their in-laws," de Brow said. "New homes aren't being built, and the single-family rental market is prohibitive in an upward mobile society."

"Buying a home on affordable terms

is a good investment and has tax advantages as well. Real estate is the only investment that appreciates. The key elements are location, price and terms."

The average house bought in this area in 1969 for \$25,000 will sell for \$60,000 in 1982 and \$210,000 in 1990, according to a regional data report.

THERE'S MORE flexibility being exercised today than ever before, de Brow said. Some sellers are subsidizing buyers' mortgage payments. In some cases, this allows buyers to qualify, and the plan effectively cuts the interest rate, he said.

Some lending institutions are structuring "blends." The underlying mortgage might be at 9 percent. The institution will establish a new rate that yields the same income to the lender and at the same time keeps the interest on the new mortgage at a minimum, de Brow said.

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