

REAL ESTATE NEWS

Buyers see houses as retirement, long-term investments

(AP) — When people talk about houses as investments these days, they sometimes speak in the past tense.

After the slump that has befallen home prices since the late 1980s, the common presumption seems to be that the appeal of residential real estate as a basic family investment has been permanently tarnished.

Never again, it would seem, will Americans be quite so eager to invest in a house as a basic building block of their personal financial plans.

It is true, analysts generally agree, that speculative enthusiasm for short-term investments in

homes has been greatly chastened, and that properties in general are no longer viewed as automatic capital-appreciation machines.

But these same observers say the idea of the market for houses as "dead" is no more accurate than the previous perception that prices were destined to keep rising forever.

"Myths about home ownership are emerging again — don't fall for them," said Barbara Allen, housing analyst at the Wall Street firm Oppenheimer & Co., in a just-published report on the subject.

For most Americans, she said, "the reasons for buying houses haven't changed in 50 years."

"We believe the evidence clearly

indicates that Americans buy houses primarily for shelter and, for more tangentially, for long-term investment and retirement purposes."

The mood of the housing market is certainly different from what it was in the 1970s and most of the 1980s. By all the evidence, today's home buyers and owners are a lot more conservative than their earlier counterparts.

That shows, for instance, in the growing popularity of 15-year fixed mortgages as opposed to either conventional 30-year mortgages or adjustable-rate loans.

"The maturity of the average home mortgage has dropped from 28 years in late 1989 to 24 1/2 years in

February 1992," reports Grant's Interest Rate Observer, citing data from economist Susan Sterne.

"People have chosen to do what seems the conservative thing — borrowing at a fixed rate for fewer years — even at the cost of a higher monthly mortgage-interest bill."

"This seems partly to reflect a '90s view of debt that is very wary. In addition, it is consistent with a scaled-down vision of the potential rewards of leveraged investment in houses."

"The investment aspect of housing (expected appreciation and tax benefit) is lower than in the past," observed Robert Van Order, chief economist at the Federal Home

Loan Mortgage Corp., in a recent speech.

Still, Van Order forecasts both a sharp increase in home sales and a slow rise in prices this year.

Recent weakness in home prices and declines in interest rates have made houses more affordable statistically than they have been in 15 years, he said.

With interest rates declining, he said, the cost of carrying a \$100,000 mortgage fell 14 percent from the end of the 1980s through early this year.

"This implies that someone on the verge of buying a \$100,000 house two years ago could pay up to \$114,000 for the house today, with-

out change in their mortgage payment," Van Order said.

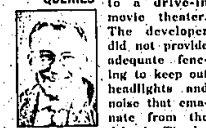
Even in an environment of flat prices, homes can serve as a vehicle for savings by allowing their owners to build equity in the property as they pay down the balance due on their mortgages.

Furthermore, mortgage debt retains a special allure since most mortgage interest still is deductible on federal income tax returns, while the deduction for consumer interest payments has been eliminated over the past few years.

Concluded Allen at Oppenheimer: "Americans buy houses for long-term reasons and recession has not altered that."

Developer charged with failure to screen condos from noise

CONDO QUERIES



ROBERT M. MEISNER

the project, and I am wondering

what we as a board can do about it. Do you have suggestions?

First, check the subdivision plans as well as the architectural plans and specifications that were filed with the municipal government to ensure that the developer has complied with all requirements in connection with adequate fencing or sound conditioning. I would also make a direct contact with the local municipal government to advise it of the problems that you are experiencing.

Talk to the developer about the

problem and consult with an architect or engineer to see whether there have been any violations by the developer of any plans, codes or representations made in connection with the construction of fencing or other means to shield noise and light from the drive-in. You should also consult with legal counsel who may give you some avenues of approach by way of priorities in connection with this problem short of litigation.

I am the new president of our

association. The old board was thrown out, and we are now investigating the nature of our contracts with various vendors. We have found that our management company has various contractors with whom we have been doing work that it owns and controls. This was not disclosed to us. I also am reasonably sure that the

management company has been represented by our association attorney for many years, but no one on the board ever knew about it. What should be done?

To the extent that the management company has not disclosed that contractors bidding on the project are controlled by it, I believe it has breached its fiduciary duty with you. Also, to the extent that the attorney has been doing work for the management company as well as the association without disclosing that to you, that may well also be an ethical breach by both the management company on which the attorney has been consulted.

I would also attempt to determine whether or any other consultants recommended by the manage-

ment company or, for that matter, the attorney have any direct tie-in with either of them.

Robert M. Meisner is a Birmingham attorney concentrating his practice in the areas of condominiums, real estate and corporate law. You are invited to submit topics you would like to see discussed in this column by writing Robert M. Meisner at 20200 Telegraph Road, Suite 407, Bingham Farms 48025. This column provides general information and should not be construed as legal opinion.

MAKE THE MOVE NOW!!

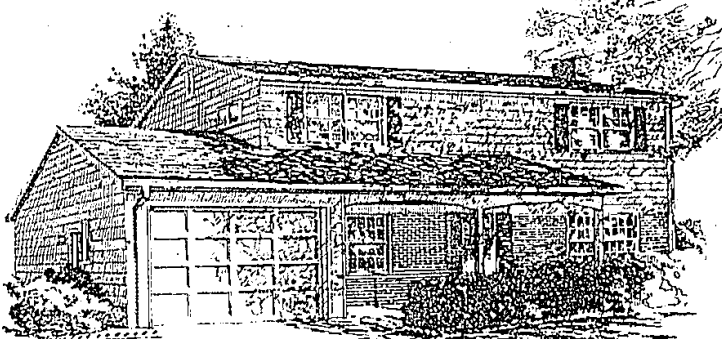
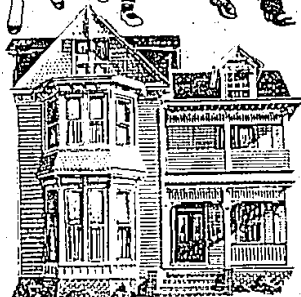
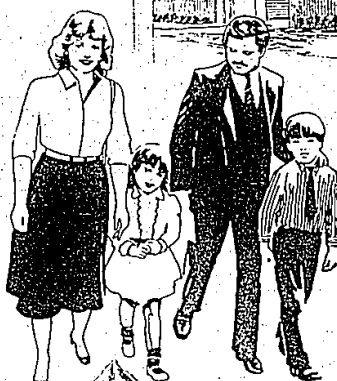
THERE'S NO BETTER TIME TO BUY

If you've been thinking about moving from your current residence to the house of your dreams or from an apartment to a starter home, this is the time to do it.

- The selection is excellent.
- Low interest rates are available.
- There are many financing options available.



Go ahead, make the move. Now is the right time to buy a home.



NOW is the right time to Buy a Home!

Purchasing a home has always been a wise decision, but current market conditions are making it even more attractive to buy now.

EXCELLENT FINANCING IS AVAILABLE NOW

Interest rates are lower, and mortgage lenders are offering a wide variety of financing options. Low interest rates mean you can get more for your money.

- 30-year fixed mortgages are still available as well as many other financing alternatives.
- First time buyers are encouraged to purchase now through financing packages offering small down payments.

YOUR HOME IS YOUR BEST INVESTMENT

Purchasing a home is the best way to build a solid financial foundation. A home not only provides you with warmth and comfort, it also serves as a secure investment.

- Today, homes in the area continue to be a wise investment.
- Equity in your home can be used as collateral, thus providing you with additional financial security.
- Home ownership provides you with a sizable tax advantage because interest paid on mortgages is fully deductible. Property taxes can also be deducted.

Observer & Eccentric

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