



Could Home Prices Fall? By Jeff Cooper

Average home prices have risen dramatically in recent years. Although affordability nationally remains high, in some areas it's difficult for buyers to make a purchase.

A hot housing market has some folks wondering if prices at some point could level off, or even fall. Although no one knows for certain where property values will be in the future, here are some thoughts to consider –

- You're not buying an "average" house, but a specific home. Looking closely at a property and its area before purchasing is your best safeguard. Buying a house that needs some fixing up is one way to obtain a bargain, and then be able to quickly boost its value. Also consider the neighborhood: If other owners are improving their homes, then it's more likely the price trend for houses on your street is positive.
- Local economic events affect home prices more than the national economy does. Layoffs at a large employer could signal a slowdown in price appreciation in a community, no matter how healthy America's overall housing market is.
- Most families buy homes to live in, rather than looking for a quick profit. Speculators prefer stocks and other investments which are easier to buy, hold, and sell. Yet some areas do attract real estate investors. Try to find if recent buyers in a neighborhood you're considering have been investors. Too many investor purchases can raise prices by artificially boosting demand. Some of those investors may sell if the market softens, causing prices to fall further.
- Steady demand as America's population increases protects real estate prices. New households are continually being formed – and they need somewhere to live.
- Your personal situation also is a big factor. Someone who plans to stay put for years has little risk, even if they buy at the top of a strong market. You'll only have a problem if you need to sell soon afterwards, and can't do so profitably. Households who should hesitate before buying in areas with big recent price increases would be those who plan to move in a few years, and are counting on continued strong appreciation during that time.

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