

# 10 reasons you should buy a home now

By [Brett Arends, The Wall Street Journal](#)      October, 19, 2010



At the peak of the housing bubble, plenty of people thought a house was the key to riches. Now they're wondering if buying a home even makes sense anymore.

## 1. **You can get a good deal**

You can get a house at a bargain price now -- especially if you play hardball. This is a [buyer's market](#). Most of the other buyers have vanished since the tax credits on purchases expired.

We're four to five years into the biggest housing bust in modern U.S. history. And prices have come down a long way -- about 30% from their peak, according to the [S&P/Case-Shiller Indices](#), which track home prices in cities across the country. Yes, it's mixed. [New York's](#) prices are down only 20%. [Arizona's](#) have been halved.

Will prices fall further? Doubtful.

## 2. **Mortgages are cheap**

You can get a 30-year home loan for about 4.3%. What's not to like? These are the lowest rates on record. As recently as two years ago, they were about 6.3%. That drop slashes your monthly repayment by a fifth.

If inflation picks up, you won't see these mortgage rates again. And if we get deflation and rates fall further, you can refinance. (For the Charlestown Landing Patio Homes you can get 100% USDA financing..... *subject to credit approval.*)

## 3. **You'll save on taxes**

You can deduct mortgage interest from your [income taxes](#). You can deduct your [real-estate taxes](#). And you'll get a tax break on [capital gains](#) -- if any -- when you sell.

Sure, you'll need to do your math. You'll get the income tax break only if you itemize your deductions, and you may be better off taking the standard deduction instead. The tax breaks are more valuable the more you earn and the bigger your mortgage. But many people will find that these breaks mean owning costs them less, often a lot less, than renting.

## 4. **It'll be yours**

When you own, you can have the kitchen and bathrooms you want. You can move the walls, build an extension -- zoning permitted -- or paint everything bright orange. Few landlords are so indulgent; for renters, these types of changes are often impossible.

Also, you'll feel better about your home if you own it. Many years ago, when I was working for a political campaign in England, I toured a working-class northern town. Prime Minister Margaret Thatcher had just begun selling off public housing to the tenants.

"You can tell the ones that have been bought," said my local guide. "They've painted the front door. It's the first thing people do when they buy."

It was a small sign that said something big.

## 5. **You'll get a better home**

In many parts of the country, it can be hard to find a good rental. All the best places are sold as condos. Money talks. But this is a case-by-case issue: In Miami right now there are so many vacant luxury condos that owners will rent them out for a fraction of the cost of owning. Generally speaking, however, if you want a good home in the best neighborhood, you're better off buying.

## 6. **It offers some inflation protection**

Although housing can't entirely protect you from inflation, studies by professor Karl "Chip" Case, of Case-Shiller, and others suggest that over the long term, housing has tended to beat inflation by a couple of percentage points a year. That's valuable inflation insurance, especially if you're young, raising a family and thinking about the next 30 or 40 years. In the recent past, [inflation-protected government bonds](#) or [Treasury inflation-protected securities](#) offered easier forms of inflation insurance. But yields there have plummeted of late. That also makes homeownership look a little better by contrast.

### **7. It's risk capital**

Your home isn't the stock market, and you shouldn't view it as a way to get rich. But if the economy starts booming, sooner or later real-estate prices will head up again, too.

One lesson from the past few years is that stocks are incredibly hard for most normal people to own in large quantities -- for practical as well as psychological reasons. Equity in a home is another way of linking part of your portfolio to the long-term growth of the economy -- if it happens -- and still managing to sleep at night.

### **8. It's forced savings**

If you can rent an apartment for \$2,000 a month instead of buying one for \$2,400 a month, renting may make sense. But will you save that \$400 for your future? Most people won't.

Once again, you have to do the math, but the part of your mortgage payment that goes to principal repayment isn't a cost. You're just paying yourself by building equity. As a forced monthly saving, it's a good discipline.

### **9. There's a lot to choose from**

There is a huge selection and many are "like new" homes. But the National Association of Realtors reports that this year's inventory is below last year's peak which indicates inventory levels are being reduced. Also, most home builders do not have bank sources of capital to build new homes. The bottom line? There are currently great choices as well as great prices.

### **10 Sooner or later, the market will clear**

Demand and supply will meet. The U.S. population is forecast to grow by more than 100 million people over the next 40 years. That means maybe 40 million new households looking for homes.

Meanwhile, the current housing supply will work itself out. Many of the homes will be bought. But many more will simply be destroyed -- deliberately or by inaction. This is already happening. Even two years ago, upon touring western Florida, I saw bankrupt condo developments that were fast becoming derelict.

And, finally, a lot of the glut simply won't matter to you. It's concentrated in a few areas, such as Florida and Nevada. Unless you live there, the glut won't have any long-term impact on housing supply in your town.