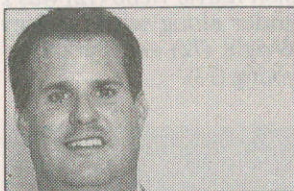


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BRIAN ICENHOWER
Real Estate

A good time to buy real estate?

It's hard to imagine that it might be the most opportune time to purchase real estate at a good value after hearing all of the recent negative commentary about the impending housing crisis and credit crunch. However, isn't it true that you usually don't hear about market prices, whether they be stock or real estate prices, moving upward until well after those prices have escalated to values that cause people to complain that they missed their chance to buy? Further, there are an increasing number of market factors that are now beginning to surface which point to the conclusion that the real estate industry is stabilizing and that prices will soon be on the rise again.

A National Association of Realtors' article explaining the January 2008 real estate forecast by N.A.R. Chief Economist Dr. Lawrence Yun stated that "existing home sales are expected to hold fairly steady . . . and then rise later in the year and continue to improve in 2009." More precisely, the study predicted that median home prices would "rise 0.4 percent this year and gain another 5.9 percent in 2009."

This expected rise in housing prices might also be attributed to the recent troubles on Wall Street. As the Dow Jones Industrial Average declines, many investors typically sell their stocks and look to put their money into more stable investments such as real estate in accordance with the old adage: "Land, they aren't making any more of it." This increase in demand starts decreasing the existing supply of property for sale, thereby increasing housing prices.

Accordingly, mortgage rates have continued to drop to the most attractive levels in years. But don't be fooled into thinking that you should wait for mortgage rates to decline further simply because Federal Reserve Chairman Ben Bernanke has pledged to cut the federal funds rate as needed to stave off an economic recession. The federal funds rate, the short-term rate at which financial institutions lend to each other overnight, is in fact determined by the Federal Reserve Board. Conversely, the market itself sets long-term mortgage rates, which are primarily tied to the performance of the United States Treasury's 10-year bond. Since most analysts feel that bond investors have already built further federal funds rate declines into the prices they are willing to pay for treasury bonds, further significant mortgage rate reductions are not anticipated.

Although the real estate stage may now be set for buying, it is always important to view real estate as a long-term investment.

Many have recently learned that gambling on the quick appreciation of property values can be a perilous short-term venture.

However, real estate prices and interest rates have now

adjusted so that investors can once again purchase property with positive cash flows to allow them to continue to own and profit from property until they are ready to sell.

It is paramount to remember that the real estate market is generally dictated by the law of supply and demand. With more and more prospective homeowners and investors now capitalizing on attractive prices and interest rates, it is clear that the increase in demand has started to steadily chip away at the supply of real estate

for sale. However, it won't be long until demand once again outweighs supply and the masses begin complaining that they should've bought when they had the chance.

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