Things to Consider:

BUYING YOUR ALEXANDRIA AREA HOME

Tamara Inzunza,
Associate Broker, CRS
19 Years Serving the beautiful communities of Alexandria

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Local Market Insight

June 2016
Fairfax County, VA

Presented by
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New Listings 2,423

2.5%	2.3%
from May 2016: **2,365**	from Jun 2015: **2,368**

YTD	2016	2015	+/-
	13,362	**13,479**	-0.9%

5-year Jun average: **2,132**

New Pendings 1,759

-7.2%	5.3%
from May 2016: **1,896**	from Jun 2015: **1,670**

YTD	2016	2015	+/-
	9,778	**9,293**	5.2%

5-year Jun average: **1,603**

Closed Sales 1,851

10.0%	-0.5%
from May 2016: **1,683**	from Jun 2015: **1,861**

YTD	2016	2015	+/-
	7,809	**7,370**	6.0%

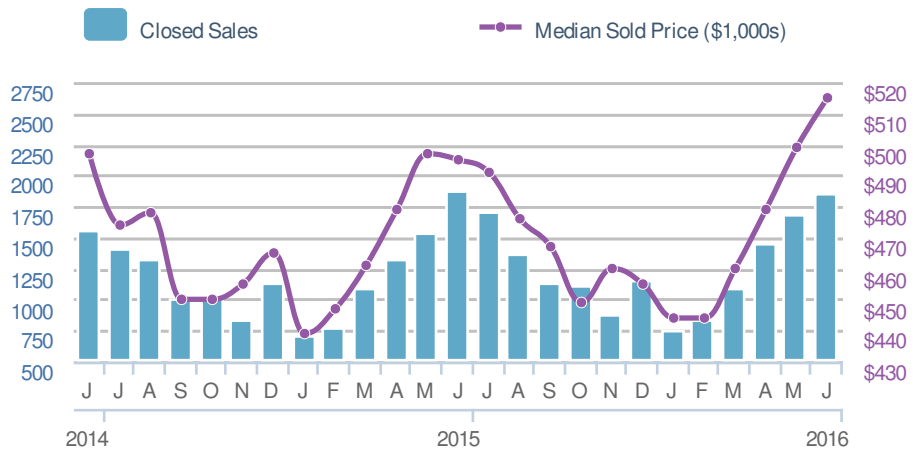
5-year Jun average: **1,731**

Median Sold Price $515,000

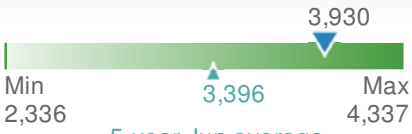
3.0%	3.9%
from May 2016: **$499,997**	from Jun 2015: **$495,900**

YTD	2016	2015	+/-
	$480,000	**$475,000**	1.1%

5-year Jun average: **$489,680**

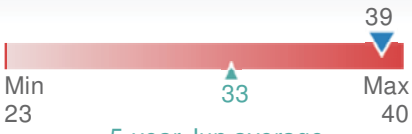


Active Listings 3,930



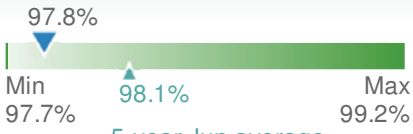
May 2016	Jun 2015
3,877	**4,337**

Avg DOM 39



May 2016	Jun 2015	YTD
35	**34**	**53**

Avg Sold to OLP Ratio 97.8%



May 2016	Jun 2015	YTD
98.2%	**97.8%**	**97.4%**

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Data Source: MRIS. Statistics calculated July 06, 2016.

REALESTATE BUSINESS INTELLIGENCE

Local Market Insight

June 2016
Alexandria City, VA

Presented by
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New Listings 325

-5.0% from May 2016: **342**
0.0% from Jun 2015: **325**

YTD	2016	2015	+/-
	1,918	**1,937**	-1.0%

5-year Jun average: **301**

New Pendings 273

-0.4% from May 2016: **274**
3.8% from Jun 2015: **263**

YTD	2016	2015	+/-
	1,487	**1,468**	1.3%

5-year Jun average: **245**

Closed Sales 276

-2.8% from May 2016: **284**
4.9% from Jun 2015: **263**

YTD	2016	2015	+/-
	1,230	**1,230**	0.0%

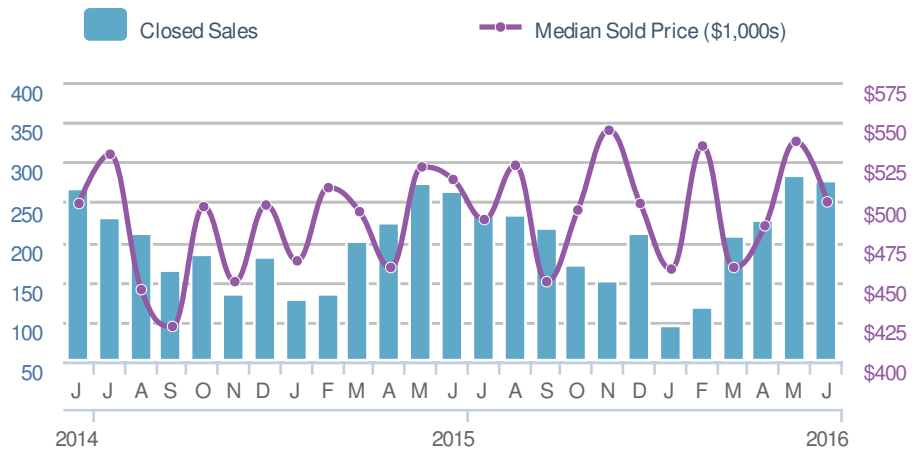
5-year Jun average: **263**

Median Sold Price $500,400

-7.1% from May 2016: **$538,500**
-2.8% from Jun 2015: **$514,750**

YTD	2016	2015	+/-
	$500,000	**$498,702**	0.3%

5-year Jun average: **$503,550**



Active Listings 490

490
Min 403
482
Max 576
5-year Jun average

May 2016	Jun 2015
504	**576**

Avg DOM 32

32
Min 27
39
Max 50
5-year Jun average

May 2016	Jun 2015	YTD
45	**42**	**49**

Avg Sold to OLP Ratio 97.8%

97.8%
Min 97.0%
97.7%
Max 98.2%
5-year Jun average

May 2016	Jun 2015	YTD
98.3%	**97.8%**	**97.5%**

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REALESTATE BUSINESS INTELLIGENCE

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4 REASONS TO BUY A HOME THIS SUMMER!

Here are four great reasons to consider buying a home today instead of waiting.

1. Prices Will Continue to Rise

CoreLogic's latest *Home Price Index* reports that home prices have appreciated by 6.7% over the last 12 months. The same report predicts that prices will continue to increase at a rate of 5.3% over the next year. *The Home Price Expectation Survey* polls a distinguished panel of over 100 economists, investment strategists, and housing market analysts. Their most recent report projects home values to appreciate by more than 3.2% a year for the next 5 years.

The bottom in home prices has come and gone. Home values will continue to appreciate for years. Waiting no longer makes sense.

2. Mortgage Interest Rates Are Projected to Increase

Freddie Mac's Primary Mortgage Market Survey shows that interest rates for a 30-year mortgage have remained around 4%. Most experts predict that they will begin to rise over the next 12 months. The *Mortgage Bankers Association, Freddie Mac* & the *National Association of Realtors* are in unison, projecting that rates will be up almost a full percentage point by this time next year.

An increase in rates will impact YOUR monthly mortgage payment. A year from now, your housing expense will increase if a mortgage is necessary to buy your next home.

3. Either Way You are Paying a Mortgage

As a paper from the *Joint Center for Housing Studies* at *Harvard University* explains:

"Households must consume housing whether they own or rent. Not even accounting for more favorable tax treatment of owning, homeowners pay debt service to pay down their own principal while households that rent pay down the principal of a landlord plus a rate of return. That's yet another reason owning often does—as Americans intuit—end up making more financial sense than renting."

4. It's Time to Move On with Your Life

The 'cost' of a home is determined by two major components: the price of the home and the current mortgage rate. It appears that both are on the rise.

But what if they weren't? Would you wait?

Look at the actual reason you are buying and decide whether it is worth waiting. Whether you want to have a great place for your children to grow up, you want your family to be safer or you just want to have control over renovations, maybe it is time to buy.

If the right thing for you and your family is to purchase a home this year, buying sooner rather than later could lead to substantial savings.

YOU NEED A PROFESSIONAL
WHEN BUYING A HOME

Many people wonder whether they should hire a real estate professional to assist them in buying their dream home or if they should first try to do it on their own. In today's market: you need an experienced professional!

You Need an Expert Guide if You Are Traveling a Dangerous Path

The field of real estate is loaded with land mines. You need a true expert to guide you through the dangerous pitfalls that currently exist. Finding a home that is priced appropriately and ready for you to move into can be tricky. An agent listens to your wants and needs, and can sift out the homes that do not fit within the parameters of your "dream home".

You Need a Skilled Negotiator

In today's market, hiring a talented negotiator could save you thousands, perhaps tens of thousands of dollars. Each step of the way – from the original offer, to the possible renegotiation of that offer after a home inspection, to the possible cancellation of the deal based on a troubled appraisal – you need someone who can keep the deal together until it closes.

Realize that when an agent is negotiating their commission with you, they are negotiating their own salary; the salary that keeps a roof over their family's head; the salary that puts food on their family's table. If they are quick to take less when negotiating for themselves and their families, what makes you think they will not act the same way when negotiating for you and your family? If they were Clark Kent when negotiating with you, they will not turn into Superman when negotiating with the buyer or seller in your deal.

Bottom Line

Famous sayings become famous because they are true. You get what you pay for. Just like a good accountant or a good attorney, a good agent will save you money…not cost you money.

DON'T LET RISING RENTS TRAP YOU

There are many benefits to homeownership. One of the top ones is being able to protect yourself from rising rents while locking in your housing cost for the life of your mortgage.

Don't Become Trapped

Jonathan Smoke, *Chief Economist* at *realtor.com* recently reported on what he calls a *"Rental Affordability Crisis."* He warns that,

"Low rental vacancies and a lack of new rental construction are pushing up rents, and we expect that they'll outpace home price appreciation in the year ahead."

The *Joint Center for Housing Studies at Harvard University* recently released their *2015 Report on Rental Housing*, in which they reported that 49% of rental households are cost-burdened, meaning they spend more than 30% of their income on housing. These households struggle to save for a rainy day and pay other bills, such as food and healthcare.

It's Cheaper to Buy Than Rent

In Smoke's article, he went on to say,

"Housing is central to the health and well-being of our country and our local communities. In addition, this (rental affordability) crisis threatens the future value of owned housing, as the burdensome level of rents will trap more aspiring owners into a vicious financial cycle in which they cannot save and build a solid credit record to eventually buy a home."

"While more than 85% of markets have burdensome rents today, it's perplexing that in more than 75% of the counties across the country, it is actually cheaper to buy than rent a home. So why aren't those unhappy renters choosing to buy?"

Know Your Options

Perhaps you have already saved enough to buy your first home. *HousingWire* reported that analysts at *Nomura* believe:

"It's not that Millennials and other potential homebuyers aren't qualified in terms of their credit scores or in how much they have saved for their down payment.

It's that they think they're not qualified or they think that they don't have a big enough down payment." (emphasis added)

Many first-time homebuyers who believe that they need a large down payment may be holding themselves back from their dream home. In many areas of the country, a first-time home buyer can save for a 3% down payment in less than two years. You may have already saved enough!

Bottom Line

Don't get caught in the trap so many renters are currently in. If you are ready and willing to buy a home, find out if you are able. Let's get together to determine if you are eligible to get a mortgage.

THE TOP REASONS WHY AMERICANS BUY HOMES

The inaugural "*Homebuyer Insights Report*" released by *Bank of America*, reveals the reasons why consumers purchase homes and their feelings regarding homeownership.

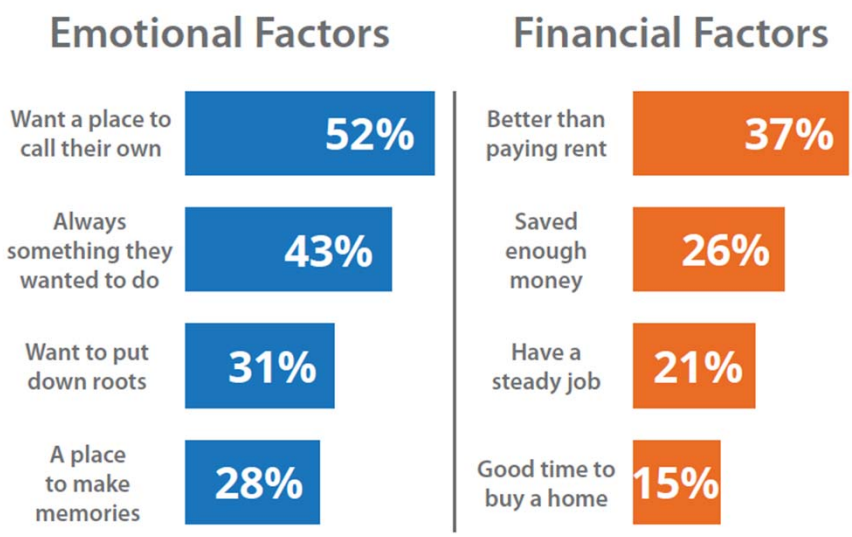
Consumer Lending Executive, D. Steve Boland, explained:

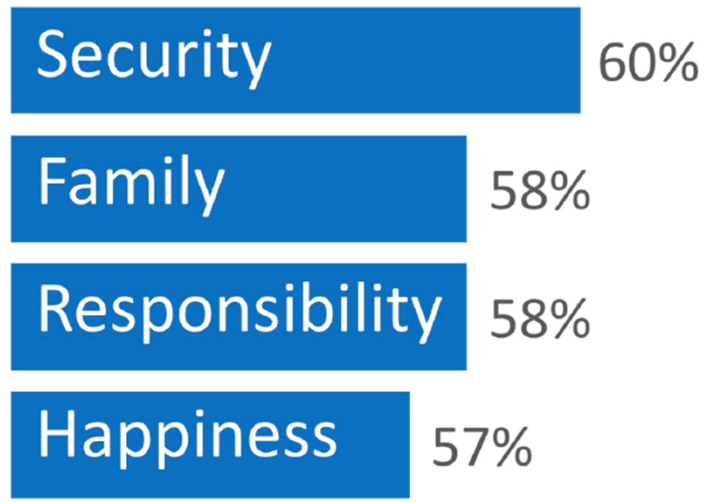
"*Homebuyers today are motivated by both emotional and practical reasons. Nearly all want more space, but a majority of homebuyers, especially those purchasing their first home, are also looking for a place to call their own, put down roots and make memories. They value the emotional benefits of owning a home as much as the financial ones.*" *(top graph)*

Boland went on to say:

"*The path to homeownership is a journey and can be as overwhelming as it is exciting. For many people, this is the single most significant financial transaction they will ever make.*"

This was evidenced in the report when they asked today's homebuyers to define homeownership. Their answers tell the whole story and are on the right.





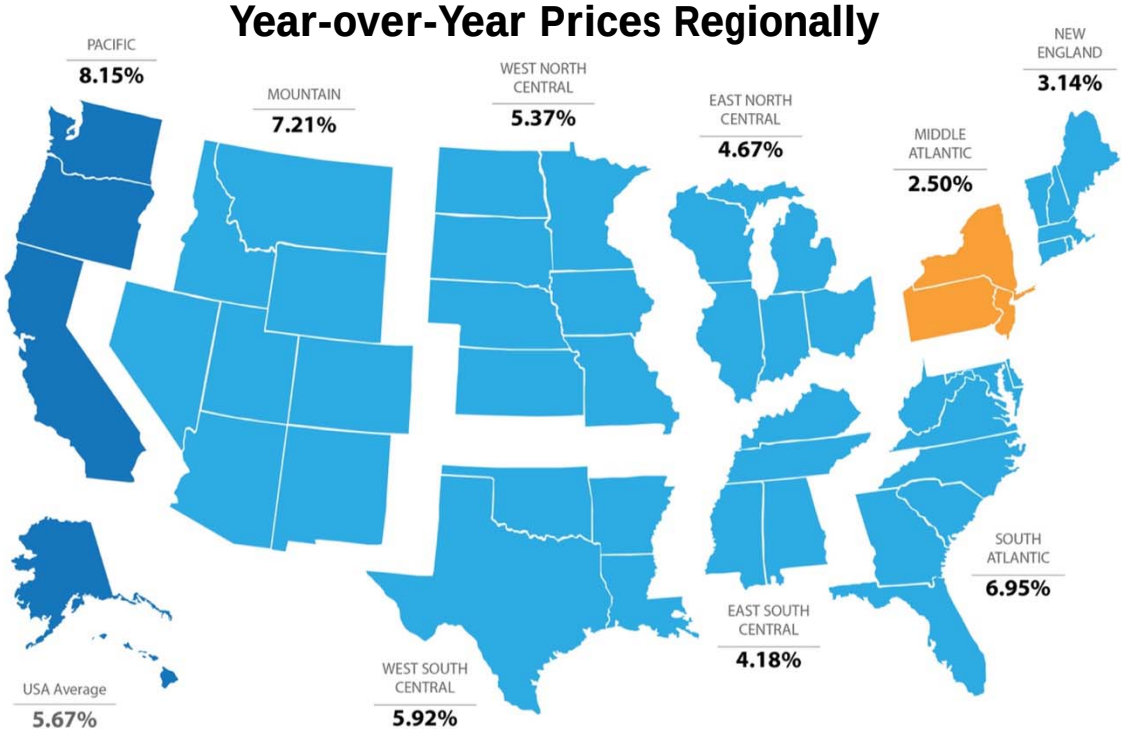
Bottom Line

Homeownership has always been a part of the American Dream and survey after survey confirms this will always be the case.

HOME PRICES OVER THE LAST YEAR

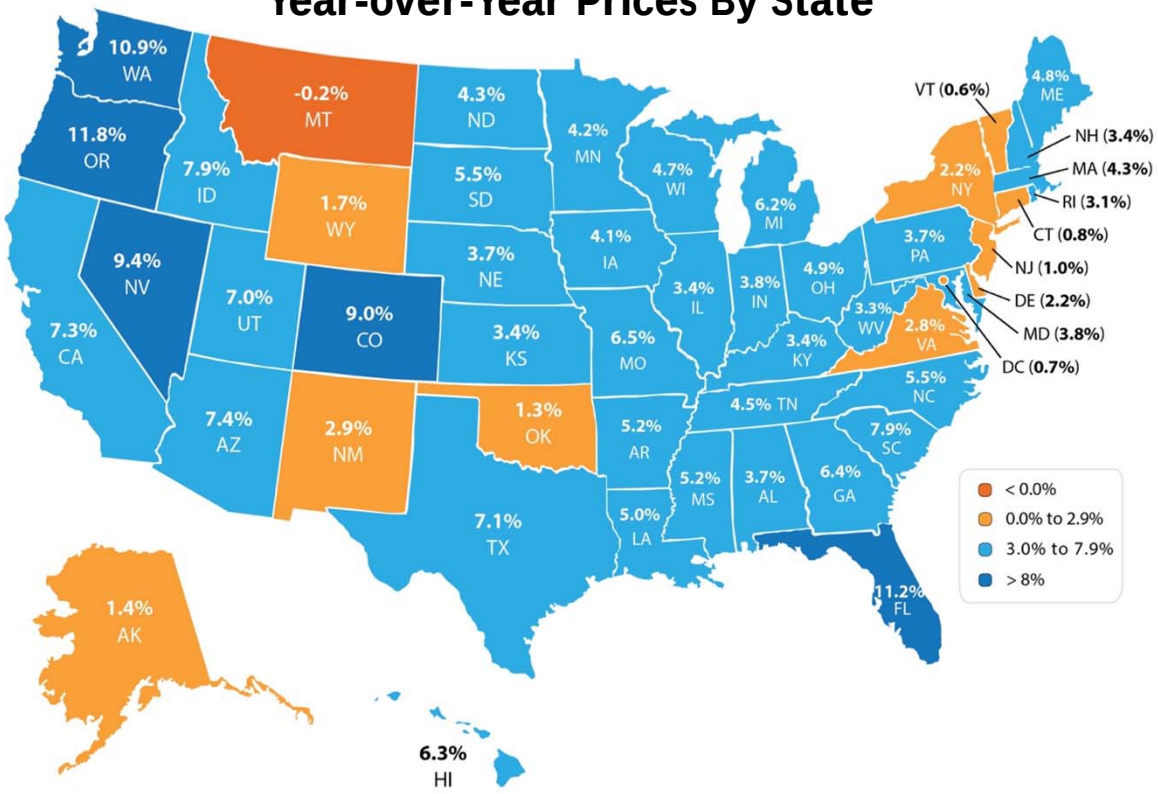
Every quarter, the *Federal Housing Finance Agency (FHFA)* reports on the year-over-year changes in home prices. Below, you will see that prices are up year-over-year in every region.

Year-over-Year Prices Regionally



Looking at the breakdown by state, you can see that each state is appreciating at a different rate. This is important to know if you are planning on relocating to a different area of the country. Waiting to move may end up costing you more!

Year-over-Year Prices By State



BUYING A HOME?
CONSIDER COST NOT JUST PRICE

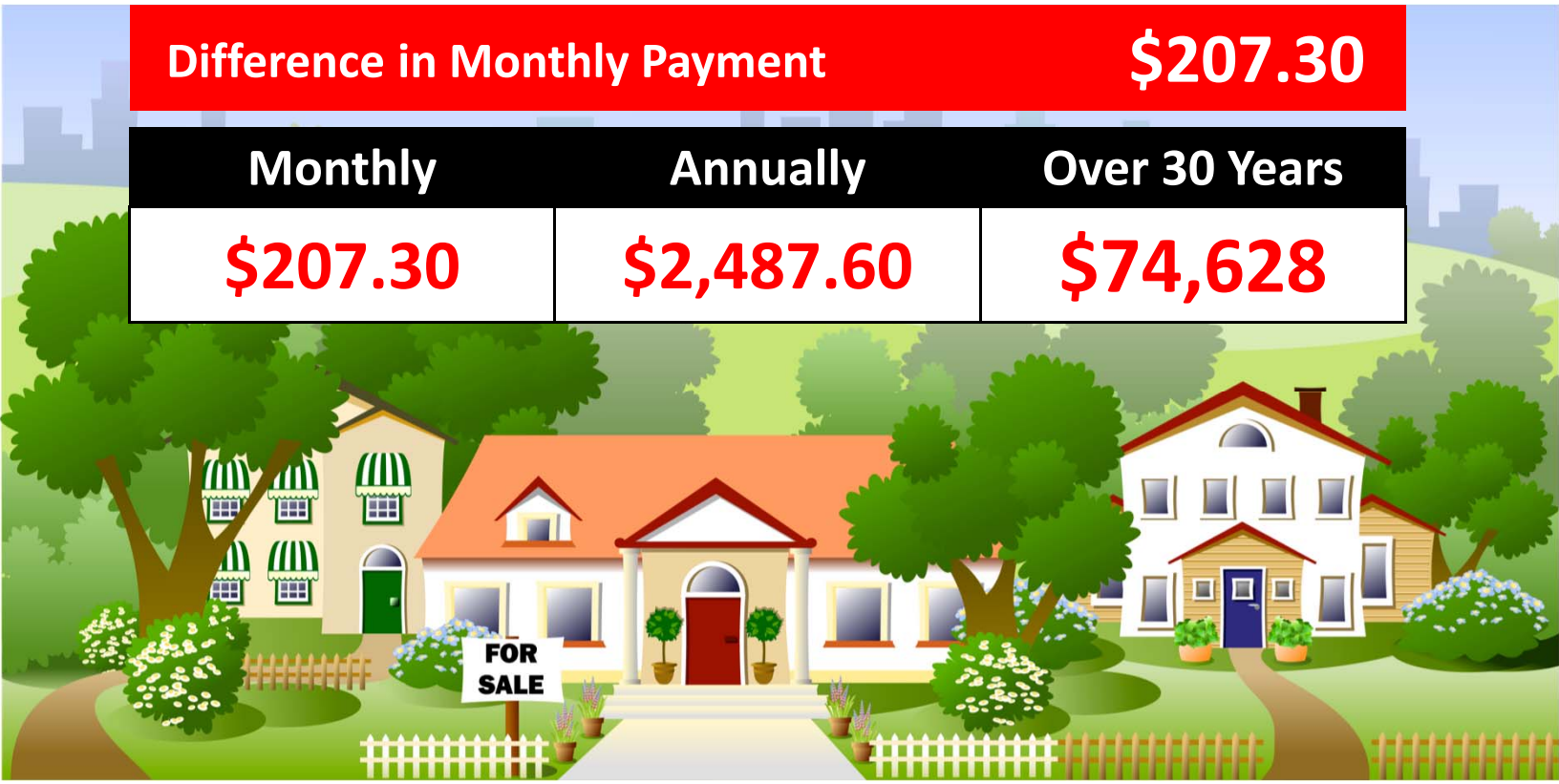
As a seller, you will be most concerned about 'short term price' – where home values are headed over the next six months. As a buyer, you must be concerned not about price but instead about the 'long term cost' of the home.

The *Mortgage Bankers Association (MBA)*, the *National Association of Realtors (NAR)*, and *Freddie Mac* all project that mortgage interest rates will increase by nearly a full percentage point by this time next year. According to *CoreLogic's* most recent *Home Price Index Report*, home prices will appreciate by 5.3% over the next 12 months.

What Does This Mean as a Buyer?

Here is a simple demonstration of what impact an interest rate increase would have on the mortgage payment of a home selling for approximately $250,000 today if home prices appreciate by the 5.3% predicted by *CoreLogic* **over the next twelve months**:

	Mortgage	Interest Rate	Payment (P&I)
Today	$250,000	3.64%	**$1,142.24**
Q2 2017	$263,250	4.6%	**$1,349.54**



HARVARD: 5 FINANCIAL REASONS TO BUY A HOME

Eric Belsky is the Managing Director of the *Joint Center of Housing Studies (JCHS) at Harvard University*. He authored a paper on homeownership - *The Dream Lives On: the Future of Homeownership in America.* In his paper, Belsky reveals five financial reasons why people should consider buying a home.

Here are the five reasons, each followed by an excerpt from the study:

1. Housing is typically the one leveraged investment available.

"Few households are interested in borrowing money to buy stocks and bonds and few lenders are willing to lend them the money. As a result, homeownership allows households to amplify any appreciation on the value of their homes by a leverage factor. Even a hefty 20 percent down payment results in a leverage factor of five so that every percentage point rise in the value of the home is a 5 percent return on their equity. With many buyers putting 10 percent or less down, their leverage factor is 10 or more."

2. You're paying for housing whether you own or rent.

"Homeowners pay debt service to pay down their own principal while households that rent pay down the principal of a landlord."

3. Owning is usually a form of "forced savings."

"Since many people have trouble saving and have to make a housing payment one way or the other, owning a home can overcome people's tendency to defer savings to another day."

4. There are substantial tax benefits to owning.

"Homeowners are able to deduct mortgage interest and property taxes from income…On top of all this, capital gains up to $250,000 are excluded from income for single filers and up to $500,000 for married couples if they sell their homes for a gain."

5. Owning is a hedge against inflation.

"Housing costs and rents have tended over most time periods to go up at or higher than the rate of inflation, making owning an attractive proposition."

Bottom Line

We realize that homeownership makes sense for many Americans for many social and family reasons. It also makes sense financially.

BUILDING FAMILY WEALTH OVER THE NEXT 5 YEARS

As the economy continues to improve, more and more Americans are seeing their personal financial situations also improving. Instead of just getting by, many are now beginning to save and find other ways to build their net worth. One way to dramatically increase their family wealth is through the acquisition of real estate.

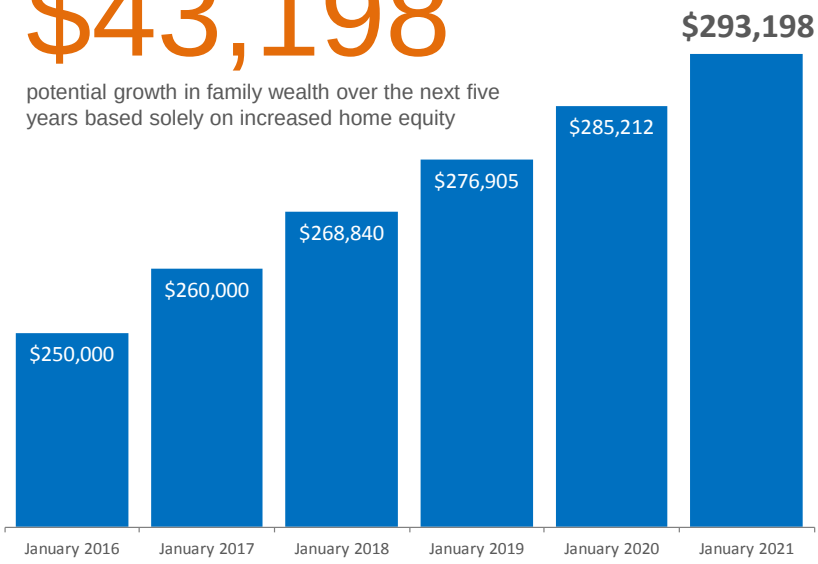
For example, let's assume a young couple purchased and closed on a $250,000 home in January. What will that home be worth five years down the road?

Pulsenomics surveys a nationwide panel of over one hundred economists, real estate experts and investment & market strategists every quarter. They ask them to project how residential prices will appreciate over the next 5 years. According to their latest survey, here is how much value that $250,000 home will gain in the coming years.

Over a five year period, that homeowner can build their home equity to over $40,000. And, in many cases, home equity is a large portion of a family's overall net worth.

$43,198

potential growth in family wealth over the next five years based solely on increased home equity



Increased home equity based on price appreciation projected by the Home Price Expectation Survey

Bottom Line

If you are looking to better your family's long-term financial situation, buying your dream home might be a great option.

What You Need to Know About The MORTGAGE PROCESS

What You'll Need to Qualify in Today's Market:

- **Downpayment:**
  Generally between 5-20% of the purchase price *(40% of buyers are putting down less than 10% - with many putting down **as little as 3%**)*
- **Income Verification, Credit History & Asset Documentation**
- **Impartial Third-Party Appraisal:**
  Your lender needs this to verify the value of the house you want to purchase.
- **Stable Income**
- **Good Credit History**

You will interact with various professionals during the home buying process, all of whom are valuable resources & perform necessary roles.

Steps To Take:

1. **Find out your current credit history & score.**
   You don't want to start out with any surprises.
2. **Start gathering all of your documentation:**
   Income Verification (W-2 forms, tax returns, employment), Credit History & Assets (such as bank statements to verify your savings)
3. **Contact a professional** to help you develop a spending plan & determine how much you can afford.
4. **Consult with your lender to review your income, expenses & financial goals** to determine the type and amount of mortgage you qualify for.
5. **Talk to your lender about applying for a mortgage & getting a pre-approval letter.** This letter provides an estimate of what you might be able to borrow *(provided your financial status doesn't change)* & demonstrates to home sellers that you are a serious buyer.

Bottom Line:

Do your research, reach out to the professionals, stick to your budget & be sure you are ready to take on the financial responsibilities of being a homeowner.

Source: Freddie Mac

GETTING A MORTGAGE:
WHY SO MUCH PAPERWORK?

Why is there so much paperwork mandated by lenders for a mortgage loan application when buying a home today? It seems that they need to know everything about you and require three separate sources to validate each and every entry on the application form.

Many buyers are being told by friends and family that the process was a hundred times easier when they bought their home ten to twenty years ago.

There are two very good reasons that the loan process is much more onerous on today's buyer than perhaps any time in history.

1. The government has set new guidelines that now demand that the bank prove beyond any doubt that you are indeed capable of paying the mortgage.
During the run-up in the housing market, many people 'qualified' for mortgages that they could never pay back. This led to millions of families losing their homes. The government wants to make sure this can't happen again.

2. The banks don't want to be in the real estate business.
Over the last seven years, banks were forced to take on the responsibility of liquidating millions of foreclosures and also negotiating another million+ short sales. Just like the government, they don't want more foreclosures. For that reason, they need to double (maybe even triple) check everything on the application.

However, there is some good news in the situation.
The housing crash that mandated that banks be extremely strict on paperwork requirements also allowed you to get a mortgage interest rate probably around 4%.

The friends and family who bought homes ten or twenty years ago experienced a simpler mortgage application process but also paid a higher interest rate (the average 30-year fixed rate mortgage was 8.12% in the 1990's and 6.29% in the 2000's).

If you went to the bank and offered to pay 7% instead of below 4%, they would probably bend over backwards to make the process much easier.

Bottom Line
Instead of concentrating on the additional paperwork required, let's be thankful that we are able to buy a home at historically low rates.

WHAT DO YOU ACTUALLY NEED TO QUALIFY FOR A MORTGAGE?

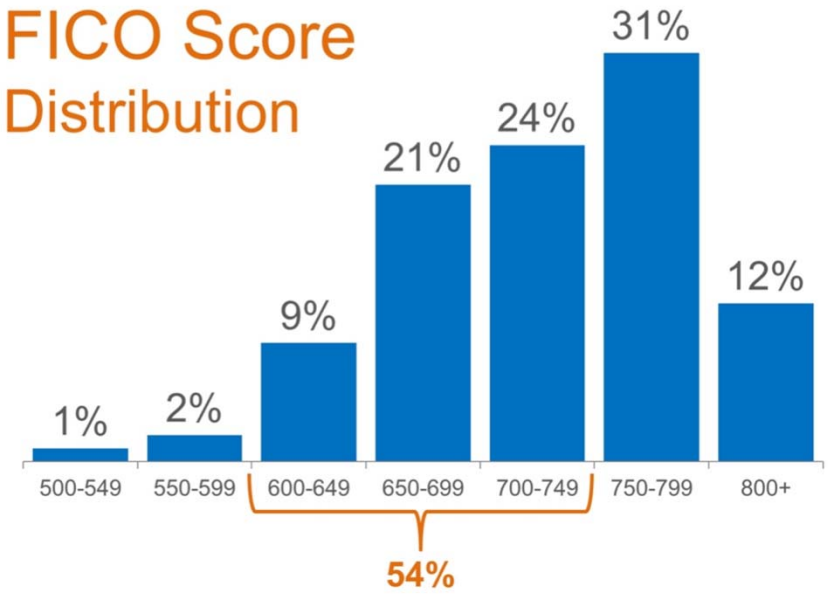
Fannie Mae recently released their *"What Do Consumers Know About The Mortgage Qualification Criteria?"* Study. The study revealed that Americans are misinformed about what is really required to qualify for a mortgage when purchasing a home.

To help correct these misunderstandings, let's take a look at the survey results compared to the latest *Ellie Mae Origination Insight Report*, which focuses on recently approved loans.

Survey Results vs. What's Really Required

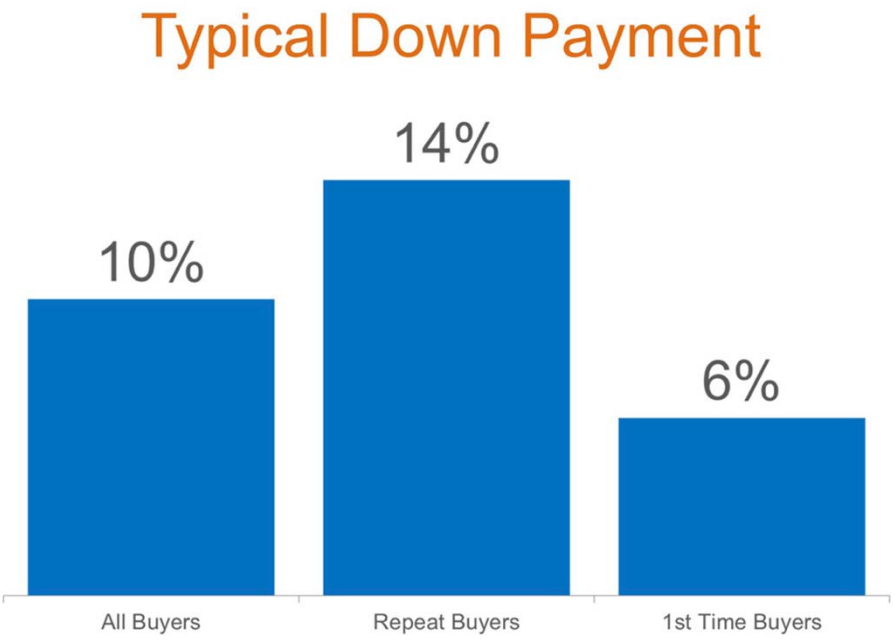
59% of Americans either don't know (54%) or are misinformed (5%) about what FICO score is necessary to qualify.

Many Americans believe a 'good' credit score is 780 or higher. 54% of approved mortgages had a credit score of 600-749.



76% of Americans either don't know (40%) or are misinformed (36%) about the minimum down payment required.

Many believe that they need at least 20% down to buy their dream home. New programs actually let buyers put down as little as 3%.



Bottom Line

Whether buying your first home or moving up to your dream home, knowing your options will definitely make the mortgage process easier. Your dream home may already be within your reach.

YOU CAN SAVE FOR A DOWN PAYMENT FASTER THAN YOU THINK

In a study conducted by *Builder.com*, researchers determined that nationwide, it would take "*nearly eight years*" for a first-time buyer to save enough for a down payment on their dream home.

Depending on where you live, median rents, incomes and home prices all vary. By determining the percentage of income a renter spends on housing in each state, and the amount needed for a **10% down payment**, they were able to establish how long (in years) it would take for an average resident to save.

According to the study, residents in South Dakota are able to save for a down payment the quickest in just under 3.5 years.

On the right is a map created using the data for each state.

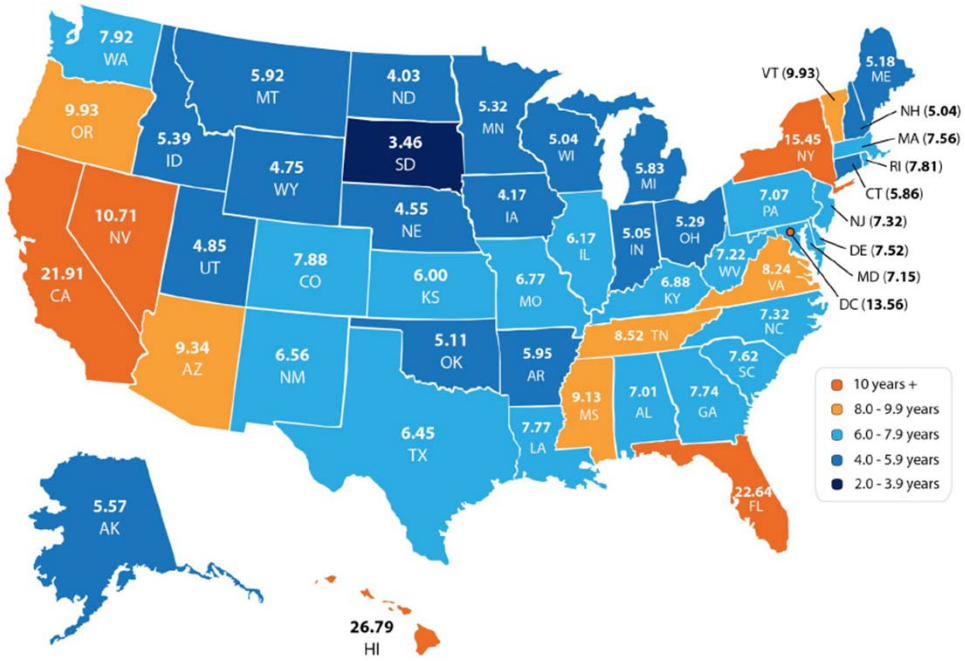
What if you only needed to save 3%?

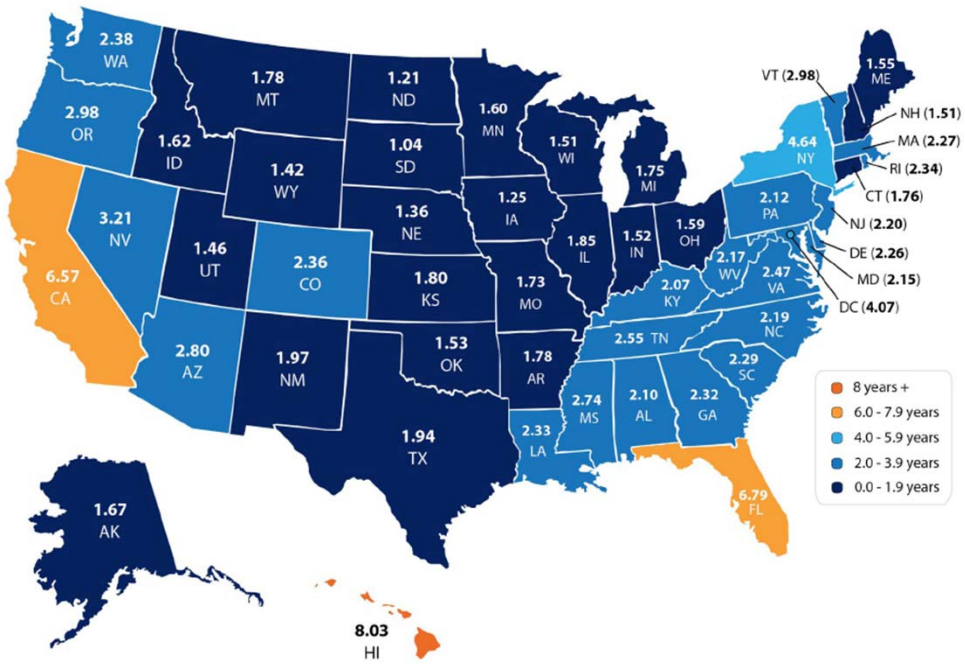
What if you were able to take advantage of one of the *Freddie Mac* or *Fannie Mae* 3% down programs?

Suddenly saving for a down payment no longer takes 5 or 10 years, but becomes attainable in under two years in many states in the map on the right.

Bottom Line

Whether you have just started to save for a down payment, or have been for years, you may be closer to your dream home than you think!





The Cost of RENTING vs. BUYING

HISTORICALLY:	NOW:
Percentage of Income Needed to Afford Median Rent	
26%	30%
Percentage of Income Needed to Afford a Median Home	
21%	15%

If you are renting & think you can't afford a home... THINK AGAIN!

BUYING COSTS SIGNIFICANTLY LESS THAN RENTING!

Either way you're paying a mortgage, why not have it be YOURS?

Source: Pulsenomics

4 DEMANDS TO MAKE ON YOUR REAL ESTATE AGENT

Are you thinking of buying a home? Are you dreading having to walk through strangers' houses? Are you concerned about getting the paperwork correct? Hiring a professional real estate agent can take away most of the challenges of buying. A great agent is always worth more than the commission they charge, just like a great doctor or great accountant.

You want to deal with one of the best agents in your marketplace. To do this, you must be able to distinguish an average agent from a great one.

Here are the top 4 demands to make of your real estate agent when buying a home:

1. Tell the Truth About the Price

Too many agents just take your offer at any price and then try to 'work' both you and the seller while negotiating later. Demand that the agent prove to you that they have a belief in the price you are offering. Make them show you their plan to get both the seller - *and the bank* - to accept that price. Every house in today's market must be sold twice– first to you and then to your bank.

The second sale may be more difficult than the first. The residential appraisal process has gotten tougher; A recent survey showed that there was a challenge with the appraisal on 24% of all residential real estate transactions. It has become more difficult to get the banks to agree on the contract price. A red flag should be raised if your agent is not discussing this with you at the time of the original offer.

2. Understand the Timetable with Which Your Family is Dealing

You will be moving your family into a new home. Whether the move revolves around the start of a new school year or a new job, you will be trying to put the move to a plan.

This can be very emotionally draining. Demand from your agent an appreciation for the timetables you are setting. Your agent cannot pick the exact date of your move, but they should exert any influence they can to make it work.

3. Remove as Many of the Challenges as Possible

It is imperative that your agent knows how to handle the challenges that will arise. An agent's ability to negotiate is critical in this market.

Remember: If you have an agent who was weak negotiating with you on parts of the purchase offer, don't expect them to turn into a superhero when they are negotiating with the seller for you and your family.

4. Find the Right HOUSE!

There is a reason you are putting yourself and your family through the process of moving.

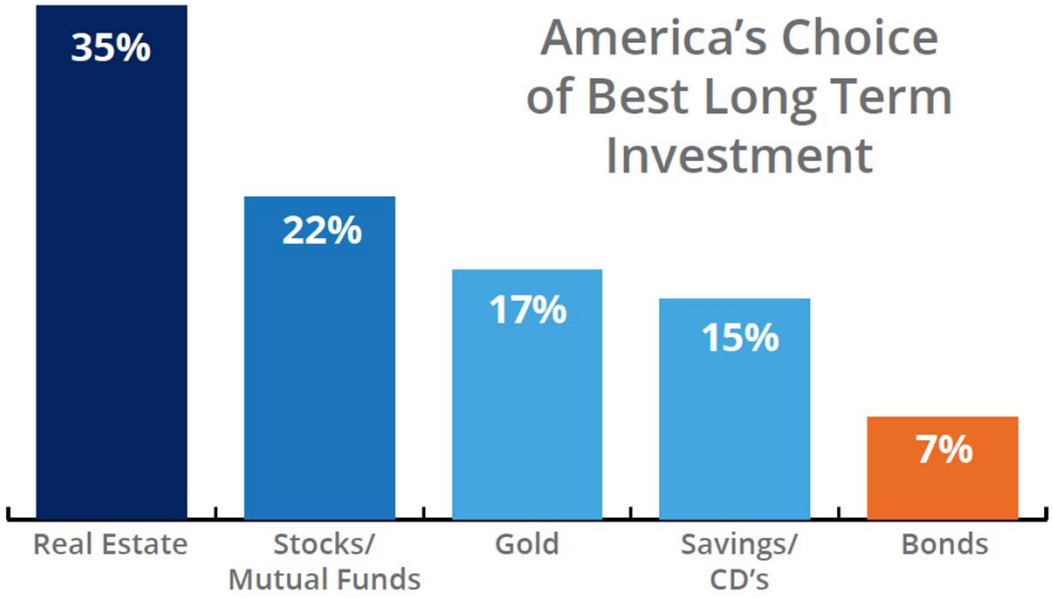
You are moving on with your life in some way. The reason is important or you wouldn't be dealing with the headaches and challenges that come along with purchasing. Do not allow your agent to forget these motivations. Make sure that they don't worry about your feelings more than they worry about your family. If they discover something needs to be done to attain your goal, insist they have the courage to inform you.

Good agents know how to deliver good news. Great agents know how to deliver tough news. In today's market, YOU NEED A GREAT AGENT!

REAL ESTATE AGAIN SEEN AS BEST INVESTMENT

The *Gallup* organization recently released a survey in which Americans were asked to rank what they considered to be the "best long-term investment." Real estate ranked number one, which 35% of those surveyed saying it was a better long term investment than stocks & mutual funds, gold, savings accounts or bonds.

Here is the breakdown:



Even stock investors ranked real estate number one. According to the report:

"*With housing prices showing a steadier path upward in recent months, even stock investors are about as likely…to choose real estate (37%) as stocks (32%) as the best long-term investment.*"

CONTACT ME TO TALK MORE

I'm sure you have questions and concerns…

I would love to talk with you more about what you read here, and help you on the path to buying a home. My contact information is below. I look forward to hearing from you…

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