

# ..... SPECIAL REPORT .....

## FAIRFAX COUNTY REAL ESTATE Should You Buy Now Or Wait It Out?

August 12, 2011

Is our financial world coming to an end or is the volatility in the market just another hurdle to bound in our ongoing ups and downs of this trek we call 'life'? That is the prominent question on everyone's mind in the United States and particularly here in the Northern Virginia area – which plays host to world leaders and serves as the residence for those who work largely in part for one of the largest employers in the world – the United States Government.

This Special Report is a brief analysis of how the recent drop in the stock market in New York and around the world affects real estate in your community. We'll take a look at the question from the top of this article – “Should You Buy Now or Wait It Out?”

The answer for you may be surprising.

Yes – it's time for many people to jump in the real estate pool and buy now because all the parameters have come together to make it the perfect time to purchase a home IN NORTHERN VIRGINIA.

Yes – some buyers should wait it out, because your personal circumstance, together with what has happened on Wall Street and at work or in your family, dictates that you should wait a while. For instance, if your short-term plans are to move in less than three years because of a job change or deployment, you may want to hold off that home purchase – even though the terms of a purchase are tempting.

We hope this Special Report and the personal consultation with your Debbie Doğrul Associate will help you make the best decision for you and your family so that you can take advantage of any opportunities in today's market condition.

Let's look at the various points that will be discussed:

- The Stock Market – What really happened?
- National vs. Local Information
- Fairfax County Picture – Economics, Job Growth, Real Estate
- Your Personal Inventory

### The Stock Market – What really happened?

As this is being written – the Dow Jones has jumped 100 points in the first minute of trading. It is August 12, 2011 and we have had the 10th and 11th highest point increases in the stock market ever on record just this past week. We've also experienced some of the worst point drops this week on record, which have put white knuckles on most kitchen table investors.



Most, if not all, of us are aware of what is behind this roller coaster response in the market – at least what’s being reported to us – political turmoil on Capitol Hill; the debt ceiling limit and lack of a budget deal; and the S&P downgrading the U.S. credit level to AA+, and even the struggles in the European financial markets. This Special Report is not to debate the validity or rationale behind any of this, but to look at where we are in the local real estate market compared to the national picture.

While the market fluctuations this past week were dramatic, they weren’t the worst dives when it comes to a decline in the percentage of the fall: “They do not even make the top 20 for percentage declines because trading volume is so much larger than in the past,” according to a report from ABC News. “Consider Black Thursday and the other historic days leading up to the Great Depression when as much as a fifth of the Dow Jones Industrial Average stock index disappeared in a day.”

In case you don’t know, Black Thursday was October 28, 1929 – the stock market lost 12.82% of its value. That day stocks plummeted 38 points. It finished the day at 260.64. Perception is reality in today’s world and there is so much more media to absorb, so much more conjecture and from so many levels of expertise, that it’s no wonder consumers are left confused – and worse – anxious.

The drop August 4, 2011 resulted in a slice of 512+ points, but the percentage drop was 4.3%. If the news media reported at the end of the day that the stock market had slumped 4.3% - how would you have responded to that news? Instead, the headlines all reported – “Market (Tumbles, Crashes, Plummet) 500 Points.”

Part of what we face as Main Street consumers is the perception we take away of what’s really happening on Wall Street and how it’s going to affect us and our families personally. In your case, the reason you’re receiving this Special Report is because you are in the midst of a transaction to buy a home with your Debbie Doğrul Associates agent, or you have told them you are interested in purchasing a home in today’s market. Thus, as you look at your new home purchase, first, let’s take a look at why you must research the local news before being overwhelmed with national anxiety.

## National vs. Local Information

Something we like to help our buyers with during the home-buying process is to educate them on how real estate information should be considered locally instead of on the national level. What’s happening across the country may not have any effect on you locally. What happened on Wall Street this week may actually affect you as far as your investments and retirement funds, but what’s happening in New York real estate (or any other metropolitan area for that matter) literally has NO EFFECT whatsoever with the price or market of houses in Fairfax County.

## Why Now?

### LOW INTEREST RATES

With historic low interest rates, your mortgage payment could be lower than what you would pay in rent and allow you more affordability.

### HEALTHY LOCAL ECONOMY

Northern VA has one of the strongest local economy’s in the country. Projected 19,000+ jobs for 2011.

### BUILD EQUITY/PERSONAL WEALTH

By purchasing a home when prices are starting to turn around, you’ll build wealth via appreciation and through paying off your mortgage.

### TAX SHELTER

The mortgage interest on your mortgage could result in thousands of dollars in tax deductions.

## Why Not?

### SHORT-TERM OWNERSHIP

If you intend to sell the house in less than three years, this may not be the best time to purchase a home.

### HIGH PERSONAL SAVINGS LOSS

Those who experienced high equity loss in the recent market downturn may need to wait for it to rebuild.

### INSTABILITY OF EMPLOYMENT

Even with the affordability and low interest rates, those who feel their jobs are in jeopardy may want to wait until there is more predictability at work.

### PERSONAL COMFORT LEVEL

Let's face it – sometimes you just have to wait until it resonates inside! If you don't have the confidence about the local market and financial benefits – then hold off until you do.

If you're coming in from or moving to another market area, then it would be of importance to you to know what's happening in a market outside your community. Real estate is and always will be local.

When media outlets report that housing prices are dropping and foreclosures are on the rise around the country, the first question in a buyer's mind should be – "Yes, but what's happening where I want to buy a home?" It's in the details that you find the authentic information which should be guiding your home purchase plans. For instance, when a national foreclosure tracking group announces that there were 250,000 foreclosures in the last month – how does that affect you in Fairfax, Virginia?

For instance, most consumers are not aware that 1 out of 4 foreclosures in the U.S. are in California. And that 70% of all foreclosures in the country can be found in just 10 states. (Virginia's not one of those 10.) What DOES matter to you as a buyer is that at this writing, nearly 87% of all houses on the market in Fairfax County are regular sales. Only 3.2% are bank-owned (foreclosures); and 9.6% are short sales (owners who are going to have to sell their houses for less than their mortgage amounts).

So why is our market as strong as it is? It's all driven by jobs and economic growth in our region.

## Fairfax County Picture – Economics, Job Growth, Real Estate

Another part of the home-buying process includes looking at what's happening economically around the area in which you want to purchase a home. Did you know that during the recession in which we are steadily pulling out of, the unemployment rate for Northern Virginia never surpassed 6 percent? Currently, Fairfax County's unemployment rate is at 4.5%. In Arlington, it's even lower – coming in during July 2011 at less than 4%.

The health of a real estate market is directly connected to two things: job growth and consumer confidence. With job growth, workers are moving into town to take the jobs. They will either purchase a home or rent a home. The decision will stem on a few measurable factors: supply of real estate, pricing and do they feel confident that it's a good investment – otherwise they will rent. (BTW – the average rent today for a single-family home in Central Fairfax County is \$2,600 – the same as the payment for a loan of \$460,814 with a 30-year fixed-rate mortgage at 4%. That amount of rent could purchase a median-priced single-family home in Central Fairfax County.)

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Over the next five years, the Northern Virginia economy will expand by more than 100,000 net new jobs, according to economists from George Mason University. When projected through 2020, that number expands to more than 300,000 (a 39% increase in jobs from today's current levels). Then, we have the in-fill jobs to look at – those jobs where current workers are retiring or people are taking jobs elsewhere and moving (these jobs are not included in the net new jobs count). With the in-fill, Northern Virginia will have to fill more than 600,000 jobs by 2020! (Source: GMU Center for Regional Analysis, <http://policy-cra.gmu.edu>).

In a CRA report authored by Lisa A. Sturtevant, Ph.D., she points out: “The recovery of the Northern Virginia housing market has been underway since late 2009. The bust period was deep but swift, and the recovery started sooner in Northern Virginia than in most other places in the country. The near-term outlook for the region's housing market is good.”

Dr. Sturtevant points out the outlook for the regional housing market is strong because, “Demand for housing will increase due to strong job growth projected for the region; Northern Virginia is expected to add 19,300 jobs in 2011.”

Other factors fueling the recovery and strength in Northern Virginia include:

- Pent-up demand for housing from people who have been waiting to buy.
- Interest rates remain at historically low levels and are not expected to rise significantly this year.
- Homeownership will become increasingly attractive in 2011 as rental vacancy rates fall and rents rise.
- Relatively few new single-family homes are under construction and the limited supply will continue to put upward pressures on prices in 2011.
- The Federal Reserve Bank has all but guaranteed low interest rates for the next two years by locking in low rates during that time.

So as you look at what's happening on Wall Street, please consider what's happening on Main Street. In other words – what happened to your personal budget, savings or investments when Wall Street went roller-coaster?

## Your Personal Inventory

When we LIVE in a community, we live there because it's a choice and we choose to live there while we work in the area regardless of what's happening across the country. When the stock market grows – or falls – people move up and people down-size. People still get married and divorced, have babies and launch their high school graduates. People start new jobs and retire. In other words – life goes on and we have to make the best decision possible when the time comes and the opportunity presents itself.

Prices in Northern Virginia are beginning to move upward – and have been on the upswing now for 2 years. Interest rates are at historic lows – really, really historic lows. Many of our buyers are grabbing 30-year fixed rate mortgages at 4 and 4.25%. We recently had a buyer lock in at 3.75% for an FHA mortgage! Interest rates play one of the most affordability factors in the home-buying process.

So take a look at your personal inventory. And then call your Debbie Doğrul Associates agent to find out if now is the time for you to buy or to wait it out. If it's time now, we're here – or if you're going to wait – we'll be there on your timetable. We want to be your Realtors for Life.