

AN “OLD FASHIONED” INVESTMENT!

Real estate agents are fielding lots of questions about the “housing bubble,” and with good reason. The media has been trumpeting that phrase, hitting right at the heart of what is the biggest investment for most of us.

Right now, however, the indicators look promising: jobs are plentiful, immigration fuels demand, income among the wealthy is rising, and the Baby Boomers are hitting their fifties (and looking for second homes).

What could go wrong? A large drop in the job market combined with a large jump in mortgage rates. However, job growth was good last year and rates remain at reasonable levels.

These hot market conditions won't last forever, and some markets aren't enjoying the boom at all. It's best to assume that there will be a soft landing instead of a bursting bubble. Prices will decline in overheated markets, but other areas will see the kind of moderate growth that should be expected.

Low rates and easy financing fueled this boom in the first place, and you can bet that rates will rise and lenders will tighten their requirements. This makes properties less affordable, inhibits demand, reduces inventories, and slows appreciation.

Just remember that your home is more valuable as a place to live than as an investment. Continue building equity “the old fashioned way,” by making your mortgage payments. And stop worrying about bubbles!

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