



Ask a Trust Officer

Housing prices

DEAR TRUST OFFICER:

Do you think home prices have reached a bottom? Is a house a good investment again?

—HOPEFUL HOMEOWNER

DEAR HOPEFUL:

One key measure that many experts look to for gauging the health of the housing market is the S&P/Case-Shiller 20-city home-price index. Data for the latest available month, August 2009, showed an overall increase of 1.2% from month-earlier levels, the fourth straight monthly rise. That's good news.

On the other hand, none of the 20 cities included in the index experienced a year-over-year rise, a phenomenon that has been ongoing for 17 consecutive months. Average home prices are roughly at 2003 levels.

There's uncertainty hanging over the housing market about the first-time homebuyer tax credit of up to \$8,000. At this writing the credit is scheduled to expire November 30. What effect will that have on the pool of buyers? Will Congress renew or expand the credit? Some observers also are concerned that the ratio of average home prices to average income remains well above historical norms, despite the sharp fall that we've already had in home prices.

Having offered these caveats, it's important to remember that they count for little when one is evaluating a specific home-buying opportunity. As they say in real estate, the three key factors are location, location and location. There are some great deals available for discerning investors who have the resources to take advantage of them.

Please contact one of our trust officers at (989) 779-6207 with any questions.

Randy Dickinson, CTFA, CPA
rdickinson@isabellabank.com

Michelle Mease, CTFA
mmease@isabellabank.com

Miles Coffland, CFTA, CPA
mcoffland@isabellabank.com

(November 2009)

© 2009 M.A. Co. All rights reserved