

The Chairman's Report

A Message from Lawrence F. Flick, IV, Chairman and Chief Executive Officer
Prudential Fox & Roach, REALTORS® and The Trident Group



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Has There Ever Been a Better Time?

There is a time for everything, including buying a home. But how do you know if the time is right for you? Your answers to the following questions can help determine if the timing is good for you:

- Would a different home better meet your needs under your present personal circumstances?
- Do you feel secure in your job?
- Would you like the security of a long term investment?
- Do you like to save money?
- Would you like more control over your future?

If you answered mostly “yes,” then the time to buy a home is now. In fact, there has never been a better time to buy than now. Low house prices and the lowest mortgage rates since the 1950’s have converged to create an unprecedented opportunity.

You may have heard the forecasts that prices could erode a bit more next year. Two industry sources, Moody’s

Analytics and Local Market Monitor, independently predict that house prices will decline anywhere from 0 to 2% in 2012 before beginning to rise in 2013 and 2014. We might then wonder, if that occurs wouldn’t it be better to just wait until next year before buying a home?

Forecast Change in House Prices Southeastern PA

Year	Moody’s Analytics	Local Market Monitor
2012	0	-2%
2013	+7%	0
2014	+7%	+3%

Well, yes, and no. Home prices are bumping along the bottom. Yes, they may go down a bit more, so if we could be certain that mortgage interest rates would stay at the extreme lows we see now, then yes, theoretically it might make sense to wait. But, and this is an important

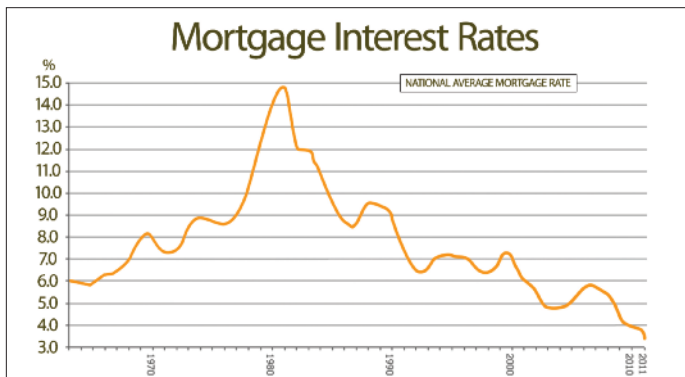


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consideration, we have not seen mortgage rates this low since the 1950's! As our economy improves — *and it will* — rates will go up as well. If they rise by 1% from what they are now, they would still be considered low, but not the historic lows they are now. Understanding the risk of waiting is essential to a thoughtful decision, because today's record low interest rates mean appreciably lower monthly payments. Not just for now, but with each mortgage payment made month after month, year after year.



So, the question is: Do we wait and take a chance on perhaps getting a lower price on a house next year, or do we buy now and lock in at today's interest rates and pay lower monthly payments for the long haul?

Think of it this way: do the potential savings of an interest rate that is 1% below what it might be in the future exceed a potential 2% decrease in the price of a house? That may sound complicated, but let's do the math: In 2010, a survey by the National Association of Realtors® concluded that the average length of time we keep our homes has risen from seven to eight years. This increase is attributable to the trend of consumers viewing housing as more of a long term investment. In fact, the survey revealed that most first time buyers plan to stay in their home for ten years, and repeat buyers expect to remain 15 years. For our comparison, let's assume that a buyer stays in the house eight years and that prices drop 2% next year. All three price points in the table below show the savings a homebuyer would enjoy over time by locking in at today's historically low rate.

Cost Savings Comparison

Price of house	Mortgage amount	1% interest savings over 8 years	2% price depreciation
\$249,750	\$200,000	\$11,520	\$ 4,995
\$375,000	\$300,000	\$17,088	\$ 7,500
\$500,000	\$400,000	\$22,752	\$10,000

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No one can really know that a market has hit bottom until after it has occurred, but I believe the risk of home prices coming down more than moderately is very slight. Even if they decline a percent or two, any additional minor price erosion pales in comparison to the disadvantages of an increase in interest rates. Perhaps the best thing about making a move now rather than waiting for another year is that you can begin living in a home that genuinely meets your current needs and desires sooner than later.

A Time for Selling?

Just as there is a time for buying, there is a time for selling. If you'd like to sell your current home and buy a new one, how would you answer the following?

- Would a different home better meet your needs under your present personal circumstances?
- Do you feel secure in your job?
- If you are moving to a larger or more expensive home, would you like to save money?
- Would you like more control over your future?
- Have you been in your current property for more than five years?

Again, if you answered mostly "yes," it is a good time to sell your house, especially if you are "trading up." Doesn't it make sense for sellers to hold off until prices begin to rise? While many predict that prices may decline next year then level off and gradually increase, no one assumes they will rise dramatically in the next several years. And, though you may believe you are not

getting the top price for your home if you sell now, you will be more than compensated as you "buy up." It's possible to realize a significant savings from the combination of great pricing and low interest rates, buying a home that would have been unattainable before and reaping the advantages of extremely low interest rates for the life of your new mortgage.

If you are selling your home, pricing and condition are of the utmost importance. As a sales associate told me recently, she compares houses on the market to contestants in a beauty pageant! Yours needs to be the best in order to win the crown, or should I say to win over a potential buyer.

Is this the right time for you?

Take a few moments to answer the questions above and then decide if this is the right time for you. To make the most thoughtful and well-researched decision, please contact your Prudential Fox & Roach sales associate and Trident mortgage consultant for information that will address your specific needs and circumstances. I wish you all the best!



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AN INDEPENDENT VIEW



Kevin C. Gillen, Ph.D. is a Research Fellow with University of Pennsylvania's Institute for Urban Research and a Vice-President with Philadelphia-based Econsult Corporation. His quarterly report on the Philadelphia housing market regularly receives widespread media coverage, and he has been

quoted in the Wall Street Journal, the NY Times, the Philadelphia Inquirer and Philadelphia Magazine.

As an economist who writes and speaks frequently about our region's housing market, I'm asked if I could deliver some good news for a change. I often respond with, "Sure: the good news is that the bad news is a lot worse everywhere else!"

Outside of our area, the typical U.S. home has depreciated in value by more than 30 percent since the bursting of the housing bubble, according to Case-Shiller's 20-City composite house price index. That is a larger decline than what was even seen during the Great Depression. But here in our area,

the average home has fallen in value by only nine percent, according to the Federal Housing Finance Agency (FHFA); less than a third of the national decline.

Of course, price deflation puts homeowners underwater: owing more money on their mortgages than what their houses are currently worth. Currently, about a quarter of all U.S. homeowners are in such a situation, according to research by Zillow. In our area, only about eight percent of homeowners are in such a situation. Not only is this significantly less than the national average, but only three states (NY, OK and ND) can claim a lower percentage of negative equity than us.

Where there is negative equity, there are foreclosures. According to RealtyTrac, one in every 570 American households received a foreclosure notice last month. In the hard-hit Sunbelt states of California, Nevada, Arizona and Florida, the number is one in every 242 households. In our area? Only one in every 1,166 households received a foreclosure notice last month. Even in the hardest-hit county of Philadelphia, the number is one in every 800 housing units; still well above the national average.

