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MARTY HOPE

First-time buyers back in game

They are a force to be reckoned with.

First-time buyers are flocking back to the housing market now that prices are lower.

They are also a consumer group that needs to be wooed, maybe even pampered.

After all, without them the economic chain reaction created by housing construction — providing jobs for everyone from plumbers and electricians to furniture salespeople and interior decorators — wouldn't get started.

We're talking here about first time homebuyers.

They're no specific demographic. They range from mature, older adults to young men and women fleeing the family nest or getting out of shared accommodation, to long-term renters finally taking the plunge into home ownership, creating equity for themselves instead of a landlord.

Whoever they are, they're coming back in the marketplace — and if they're not, they should be.

A few years ago, before diminishing affordability sent them scurrying to the sidelines to continue to share accommodation or hang out at their parents' homes, first-time buyers were a force to be reckoned with.

If they had full-time jobs and could muster together five per cent of the value of a home for a down payment, they were in.

They were the starting point that set the whole chain reaction in motion.

Their impact was made even greater by the fact that for those who bought a resale home, it meant a group of sellers who would move on to something else, and those sellers — well, you get the idea.

Then, prices started to jump. Homes were selling in a matter of hours at prices above what were being asked.

Multiple offers forced many potential purchasers to bail because their budgets just weren't high enough to compete. Sellers, meanwhile, were reaping the benefit of being behind the steering wheel.

And those first-time buyers? Well, they found themselves on the housing sidelines, unable or unwilling to pay the prices being sought.

Phil Soper, president and CEO of Brookfield Real Estate Services in Toronto, said flatly that first-time buyers were scared off by prices and the economic downturn.

"When new buyers stop entering the market, it's like sand in the gears," he said at a recent real estate conference.

Well, things have turned. First-time buyers are back in the game — if they want to be.

Sellers have had to bring their asking prices back to more realistic levels to attract an anxious, but cautious, pool of buyers who know they now have more say over what happens in the marketplace.

At the same time, though, jobs are being lost in some sectors, salaries are likely being frozen, and consumer confidence has taken a hit.

While there is some pent-up demand for homes, the buyer pool has become shallower. Sellers have to realize this.

On the other side of the coin, while zero-per-cent down payments and 40-year mortgages have gone the way of the penny match, mortgage rates and housing prices are trending down — at least for the time being.

That should be good news for those looking at home ownership for the first time.

Add to this the fact builders are focusing on giving home shoppers more for their money.

One-time extras, such as stainless steel appliances and hardwood floors, are now standard equipment in many homes, prices have been cut by many builders, and they are open to negotiation.

There also seems to be a new emphasis on quality now that the market has calmed somewhat.

Bill Bobyk, general manager of the Sterling Group of Companies, says there are two basic reasons people should be buying: “Very good” prices and attractive mortgage rates.

Another factor to consider is that “because this is not the market to be flipping homes, people should be buying with the intention of living in them for a few years,” he says. “Buy them because they can be homes, not a short-term investment.”

Another thing to remember are the new tax breaks for buyers and home renovators.

Under the Home Buyers Plan, first-time buyers can now withdraw up to a maximum of \$25,000 —up from \$20,000— from their RRSPs as a down payment.

Secondly, they can qualify for a \$750 tax credit help them pay for closing costs, such as appraisal or legal fees.

Get documentation, such as proof of income and down payment, in place. A mortgage expert can also check credit history to ensure lender's requirements are met.

A pre-approved mortgage can save time, so establish a price range. Mortgage rates are also guaranteed by many lenders for up to three months.

In this type of market, there is room to negotiate with sellers on prices as well as any other terms set out in the listing, such as possession date, appliances being added, and home inspections.

There are plenty of homes to choose from, so don't rush things.

A mortgage is a big debt — probably the largest debt a person will incur. As a result, it's wise to try to get it paid off as soon as possible. There are several payment acceleration options out there, so find out what they are and save money in the long run.

Find a mortgage and a home that suits your lifestyle. The mortgage should reflect your current financial status, but also fit with long-term goals.

Don't just buy for the sake of buying in a buyer's market.

Find yourself a home that fits your lifestyle, as well as your future needs.

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