

SOUTHERN UTAH Home Buying Facts

Facts and figures that show
why *now* is the right time
to buy a home.



Take Control of Your Future

When is the right time to purchase a home?

Myths continue to circulate with respect to current real estate markets being inflated to an unsustainable level. It is important to differentiate between Washington County and other areas of the country when studying current housing prices/volatility. This Home Fact Guide has been compiled to provide homebuyers with local economic facts and indicators that will help them evaluate the current housing market in Washington County.

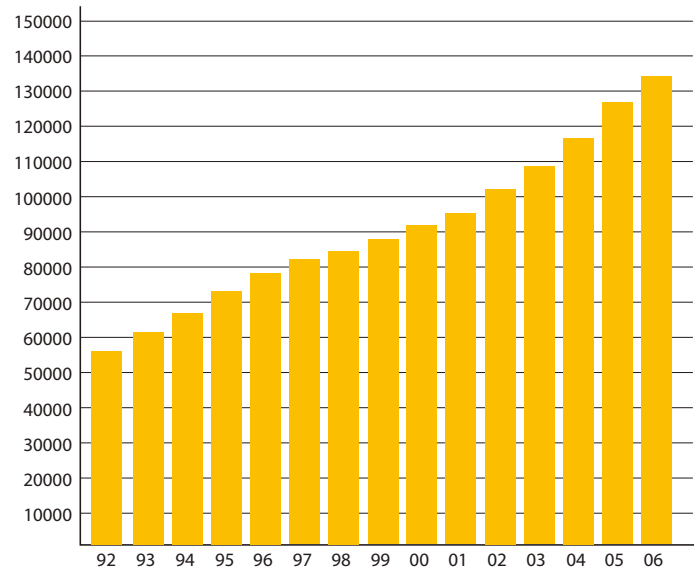
Washington County Home Buying Facts

- St. George Metro Area continues to receive national attention as a leader among **cities rated most desirable** to live, work and play.
- Interest rates **near a 30 year low** enable future homebuyers to stretch their investment dollars.
- Existing new and resale **inventory of homes is high** offering the buyer **many choices**.
- **Residential building starts have dropped significantly**, reflecting the builders' decision to hold the number of homes they have for sale in inventory rather than slashing prices to reduce the homes available for purchase.
- The population of Washington County continues to grow at a rate of 6.35% annually with **migration rates staying positive**.
- As a rule the availability of **incentives and concessions** being offered by sellers has seen a **downward trend**.
- The effect of increasing regulatory and impact fees by local municipalities is placing **significant upward price pressure on housing**.
- With an annual job growth rate of over 4%, St. George Metro Area is ranked **one of the highest cities in the nation for job growth**. Strong job growth will result in more families needing homes which will, in turn, reduce the existing inventory at a faster rate than an area with low job growth rate. Job growth is the best measure of economic vitality.
- Utah was named the second best place in the nation to do business and its **economy the most dynamic in the nation**. Washington County mirrors Utah's strong economic base.
- Construction material and labor costs overall continue to see upward price pressure resulting in **housing costs increasing proportionately**.

The majority of homebuyers are making the largest investment in their lives. When looking at a five-year investment plan, it is reasonable to expect an appreciation in their home as we continue to look at favorable conditions in our market now and in the future. While levels of appreciation will not reach the 2006 levels, it is expected that homes will continue to be a great investment with a positive outcome for Washington County homebuyers.

Washington County Population

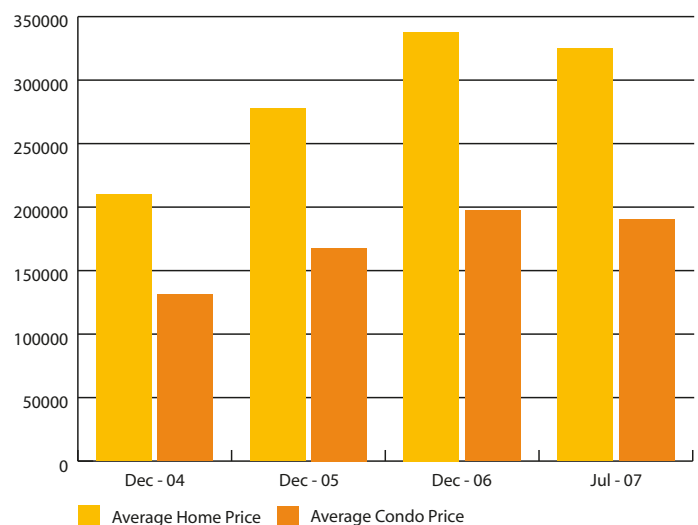
Historical Data



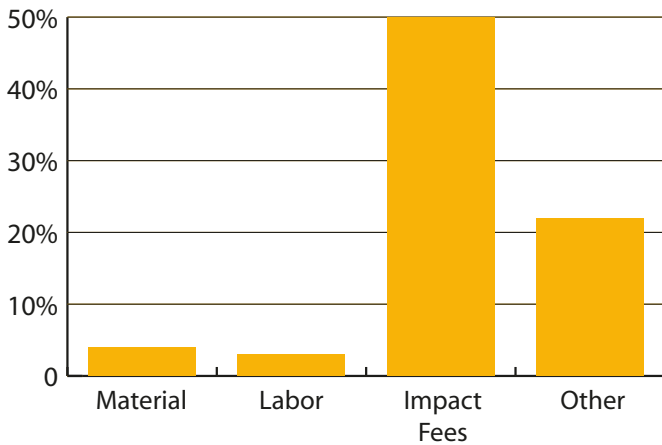
▲ Washington County has gained attention for being the fastest-growing metro area in the nation for the years 2000-2006. The county will continue to grow as more families learn about the nationally acclaimed reputation of mild winters, low annual precipitation, clean air and the lowest crime rate of all 379 communities featured in a recent national survey. Continuing positive net migration and internal growth will keep the pressure on housing needs strong into the future, thus continuing the demand. While the housing demand will continue to increase and home starts continue at lower levels than 2005 and 2006 – the current inventories of existing homes for sale will balance to reasonable levels.

Washington County Average Sales Price

Historical Data



2006 Construction Cost Increases



▲ Upward pressure on the construction cost of housing (and the resulting sale price) continues to occur in Washington County.

Construction material costs saw an overall increase in 2005 of 6%, in 2006 of 4.4%, and in 2007 through June of 3%.

Labor costs have increased in 2006 a minimum of 3%.

Impact fees alone averaged 50% increase per home across five municipalities alone.

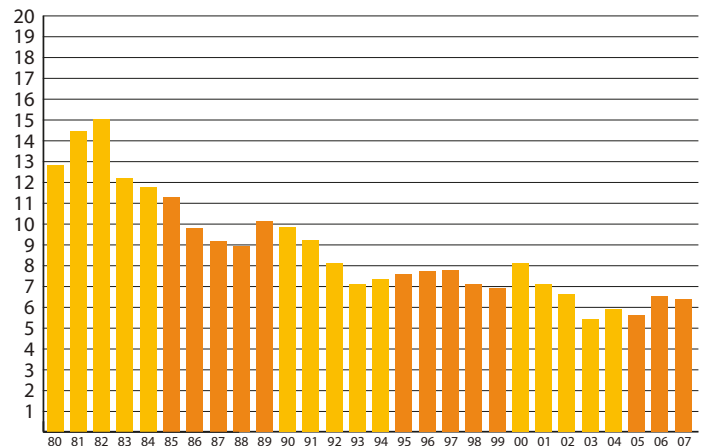
In addition, every time a local or regional government increases the cost of construction permits, tap fees, proffers or impact fees, the cost of building a home in that area rises.

The rise in the house price will generally be greater than the increase in the government fee. This is because each time construction costs increase other seemingly unrelated costs also rise. The sum of these "other" costs is about 22%. Thus, every \$819 increase in fees results in a \$1,000 increase in house prices. All these costs must be passed on to the homebuyer and, in addition, many existing homes for sale raise their prices to correspond to the increasing new home prices in the market.



Mortgage Rate History

28 Year National Average Contract Mortgage Rate



▲ Interest rates currently stand at 6.4% -- near a 30 year low. The effect of lower interest rates on the ability of homebuyers to leverage their dollar positively in the market continues.

Conclusion

Is now the "right" time to buy a home? That conclusion will be determined by each and every homebuyer individually on a case-by-case basis. The information compiled in this guide will help you understand some of the economic factors that point toward homes holding their value. Other factors, of course, influencing the decision to buy will also be the personal needs and financial position of each family or buyer.

The majority of homebuyers are individuals who are preparing to make the largest investment of their lives. Nationally the average homebuyer plans to stay in their new home for an average of seven years. Buyers purchase homes with shelter being the highest priority, but they also benefit from a reasonable appreciation enabling them to

move-up or otherwise utilize the asset for their needs in the future. The 38% appreciation in housing Washington County saw in 2006 is an anomaly caused primarily by the speculative market. That aggressive appreciation is highly unlikely in the future. Everyone wants to see appreciation in their home. Housing has been the preeminent example of a solid, secure investment when we treat that decision as we would any other long-term investment in our portfolio.

Is now the "right" time to buy? You make the decision. We hope we have provided information to help you make the decision easier. Not only is home ownership a stepping stone to a future of financial security, it also helps to build neighborhoods and strengthen communities.

Visit www.SouthernUtahHomeFacts.com for a complete list of sources used for information in this guide.

Considering Buying a Home? Here are Answers to Common Asked Questions.

Q: As a first-time buyer, should I wait until prices go lower to buy a home?

A: No.

If you continue to wait, you may never be able to afford to get into the housing market. Even as home prices are currently moderating – or even falling in some areas – rents continue to climb. The best way to build household wealth is to own a home. Once you become a home owner, you are able to take advantage of the generous tax deductions that home ownership offers, and you begin to build equity in your property. As your property builds in equity, you can use those gains to sell your starter home and afford to move into a bigger house.

With so many homes on the market to choose from, your best strategy may be to scale back expectations for your dream starter-home. Instead of trying to buy a 2,000 square foot home, consider shopping for a 1,500 square foot home. Remember, the sooner you make the jump from renter to home owner, the quicker you begin to create and build up wealth for your family. After a few years, you will be able to leverage this investment and buy a larger house.

Q: If I wait to buy a home, won't prices go down even lower?

A: Timing the market isn't a great idea.

All the market fundamentals show that now is a good time to buy – prices are down, interest rates are affordable, there are lots of homes to choose from and you can bargain with sellers.

If you try to wait and time the market until it hits rock bottom, you are likely to lose out. If you sit on the fence and wait for the absolute best deal, you could end up literally waiting for years. And most likely, your guess on market timing would be wrong. But if you choose to buy now, you will not only be in the driver's seat during the buying process, you will also reap the gains of price appreciation once you become a home owner. Remember, those who purchased homes in the early 1990s during the last big economic and housing downturn came out as big winners.

Q: Isn't it better to "play it safe" and keep renting until things are more certain?

A: No.

The best way to "play it safe" is to actually buy a home. And here's why. Studies show that owning a home is the best way to build household wealth. The sooner a person owns a home, the faster they begin to build up equity and wealth. When you buy a home, you are also purchasing price stability, knowing that you will pay the same

monthly payment for the life of your 30-year mortgage. Now consider the current rental market. During the past few years, many rental units have been converted to condos. As a result, there are fewer apartment rentals on the market. While home prices have been moderating, rents have been going up. Each year, your rent can easily go up a minimum of 5 percent to 10 percent. Where is the economic security in knowing that it is possible your rent could surge 30% in three years? You don't receive any tax benefits from paying rent, nor do you accumulate any price appreciation, as you would if you owned a home of your own.

All of the economic fundamentals show that this is a good time to buy a home and that there is upward pressure on rental apartments. The real risk isn't in buying a home, it's continuing to rent.

Did You Know?

70% of Americans said interest rates were likely to affect their decision whether or not to buy a home.

97% of first-time home buyers would never go back to renting!

Homeowners under 40 with incomes between \$20,000 - \$50,000 have ten times the median net wealth of renters.

The homeownership rate in the United States is 69 percent.

Nearly 7 out of 10 call their home their most valuable investment!

75% of first-time home buyers put less than 15% down. In fact, 43% of home buyers bought a home with no money down!

Q: Should I wait to sell my house until I can get the same price my neighbor sold their house for?

A: No.

It's always better to trade up in a buyer's market. While the value of your house has fallen, the price of higher-end homes has also dropped. Your existing home value may have decreased, but don't forget that in today's buyer's market, higher priced homes are also dropping in price.

But for argument's sake, let's say that a \$500,000 move up home has also dropped 10 percent in value and now sells at \$450,000. If you sold your home today for \$270,000 and purchased the larger house for \$450,000, the difference in price would be \$180,000.

But if you waited to recoup the 10 percent value on your home and sold it at \$300,000, chances are that same move-up home would also move up in price to at least \$500,000. That's a \$200,000 price difference between the two homes. So by selling today, you would actually save \$20,000. And most likely, by jumping into the market today your savings would be even greater because consumers have much more bargaining power when shopping for higher-end homes in a buyer's market.

Q: Should I invest my money in the stock market, or use it to buy a home?

A: Buy a home.

Thanks to the concept of "leveraging," purchasing a home is by far the best long-term investment. Leveraging means putting down a small amount of money to earn a big return.

For example, say you use that \$10,000 to purchase a \$150,000 home, and the house appreciates five percent during the first year. That means after one year, the house would be worth \$157,500 – a gain of \$7,500. Your annual return on your \$10,000 investment would be a whopping 75 percent.

By contrast, putting the same \$10,000 in the stock market and posting a similar 5 percent gain would only net a \$500 return on investment.

And as a home owner, your savings continue to grow in two ways. Every year, a greater portion of your monthly mortgage payment goes to the principal, reducing the overall loan amount. Second, your home appreciates over time, making it one of the very best financial investments. Homeownership is truly the cornerstone of the American way of life, and the fulfillment of the American dream.

Q: Should I wait to buy a home until interest rates go down further?

A: No.

Interest rates currently stand at about 6.4 percent and are extremely favorable for buyers. In fact, they are hovering near 30-year lows. But waiting to time the market is a dangerous – and losing – game. Because interest rates are near historic lows, it is much more likely that they will head higher in the future as opposed to moving even lower.

In short, the smartest and safest time to buy is now. We know that home prices are down. We know that there are plenty of homes on the market to choose from. We know that sellers are willing to bargain. And we know that builders are willing to offer attractive incentives to get your business. Any or all of these favorable variables could change for the worse six months from today.