

THE TREND!

California

Median Price-SFH	Date
\$309,900	09/10
\$318,660	08/10
\$296,610	09/09
Sales change Prior Month -2.7%	
Sales change Prior Year 4.5%	

Sacramento

Median Price - SFH	Date
\$181,782	09/10
\$186,752	08/10
\$172,418	09/09
Sales change Prior Month -2.7%	
Sales change Prior Year -1.3%	
Source C.A.R. Research Dept.	

SACRAMENTO

Ph: 916.675.1177

Fx: 916.405.4470

BAY AREA

Ph: 510.344.0024

HOUSTON

Ph: 713.952.6092

Fx: 281.668.5002

Rent V Buy in 2010 / 2011

In April, 2009, our firm conducted a presentation at a Regional Economic Forecast at California State University, Sacramento. At the forum, we analyzed the virtues of renting compared to owning, as part of a broader question in prevailing real estate prices. In this issue we revisit this question in light of the current market.

In our June newsletter, *The California Real Estate Market, Trend Upwards*, we revealed that the trough of the market was reached in California in February, 09, while April, 09 represented that of the Sacramento market, please see it here <http://is.gd/fYqSY>.

Here are some general assumptions in our analysis;

- Rental property of a home with 3 bedrooms, 1500

sqft at a rent of \$1,500 in Sacramento, with tenant paid utilities.

- Rental insurance is about \$250 annually.
- Median price of similarly sold home in Sacramento is \$180,000.
- The mortgage payment is calculated at 5% down payment, 5% interest rate of financing cost, seller paid closing cost (sellers are willing to pay these days), for a total mortgage payment of \$1,140.
- A household income of \$40,000, with a 40% qualifying ratio.

Cost Benefit

Based on the numbers above, the home owner, will benefit from owning than renting for a monthly savings of \$360 or \$4,320 annually. This translates to a five-year savings of

\$21,600.

Tax Benefit

Existing tax law allow homeowners to itemize and deduct their mortgage interest and property taxes from their taxable income. Of the mortgage amount listed above, about \$712 and \$175 are monthly mortgage interest and taxes respectively, both are tax-related events. They translate to \$887 or \$10,644, bringing the household's taxable income to \$29,356. In this calculation, the tax benefit is non-existent, as the household could take the standard IRS deduction since \$10,900 is bigger. However, at higher interest rates and mortgage payments, the deductions could be significant. As always, check with your tax professional for advise as they know your specific situation.
Al Som-Any, MBA, Broker

Survey of First Time Home Buyers

First-time home buyers have reacted differently to the current environment as shown by the 11th annual CAR survey. Here are some findings;

- 46% of purchases in 2010 came from first-time buyers, a record high.
- 23% believed home prices in their neighborhood will go up in one year, compared to 8% in 2009.

- 75% of these buyers credited the federal tax credit as influencing them.
- 41% bought from bank owned properties, compared to 38% in 2009.
- First-timers paid an average of 23.1% for their down payments.
- Difficulty in obtaining funding for their purchase was pronounced since they

rated 8.5 difficulty on a scale of 1-10, with 10 being the most difficult.

Being a financing firm, we have found the last bullet especially pertinent, as lenders request an endless list of items to complete financing. We request our clients to be patient, as lenders swing the opposite direction compared with pre-2006.
Al Som-Any

