

To buy or not to buy: That is the question

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The number of homes for sale has gone through the roof. Prices have dipped to levels not seen in a year or two. And home shoppers no longer have to rush in to seal a home deal before another buyer gets it.

Two years into a housing slump, conditions have gotten worse for sellers. And better for buyers, with the highest number of listings in at least a decade.

So is now the time to for hesitant home buyers to make a deal? Or will there be a better time down the road when prices are lower?

More to the point, does it matter? Is it about finding the best time to buy, or about doing what's best for you?

"If you have a long horizon, this is a good time to buy," said Michael Caruso, president of the Orange County Association of Realtors. "You have plentiful inventory, you have willing sellers and you have agents in a problem-solving mode."

The National Association of Realtors, which has urged home buyers to act for the past year, launched its latest newspaper advertising campaign Nov. 2 touting homeownership as a key to long-term wealth.

But Chris Thornberg, principal at Beacon Economics and a former UCLA professor, countered that buying now is folly.

"What's the point of buying today when you can buy it for 10 percent less in a year?" Thornberg said. "For the life of me, I can't figure out that logic."

The Register asked a group of Realtors, economists and financial advisers about whether now is the time to buy a home.

All agree that the era of "Flip This House" is over. And all agreed that today's buyers need to own

a home for years to get what they paid for it.

Beyond that, opinions diverge, even if some of their expectations overlap.

Experts expecting the market to rebound about a year from now advised that now is a great time for most home buyers to buy.

Others say it's impossible to time the market. Even though they expect prices to continue to drop, don't let that be an impediment to buying now, they say, because prices will bounce back eventually.

And some, like Thornberg, say buyers shouldn't buy for a year or two because prices are going to fall much more.

Here's a summary of their thoughts:

- It's a great time to buy.

Expectation: Market to turn around in the fall of 2008, if not sooner.

Now is a perfect time to buy a home, some local Realtors say: Prices are lower, interest rates are historically low and there are plenty of homes to choose from.

"I'm not seeing the market fall apart. Are we having a correction? Absolutely," said Long Beach broker Dick Gaylord, who becomes the 2008 NAR president next month. "I think for most buyers, this is a great time. The question is, are you buying right?"

Caruso warns that it's a good time to buy only if you plan to own a home for more than a year. But there's a lot of pent-up buyer demand, he said, predicting that "we might have a heck of a spring and summer" next year.

"I don't think this will go on much longer," Gaylord added, forecasting a turnaround by the last quarter of 2008.

- It's a good time for some.

Expectation: Prices to continue declining, but will bounce back.

People who buy a home right now could still see prices fall after they buy, but that shouldn't stop

everyone from considering a home purchase, said Coldwell Banker agent Mac Mackenzie.

This train of thought says buyers could blow a deal for a home they love while waiting for prices to drop.

"Now is the time to buy if you're looking to do what people did in the 1970s: Buy a home to live in, and live in it for 10 years," Mackenzie said.

Someone shopping for a condo should wait until prices go lower, he added. Since condos are much the same, buyers should have no trouble finding one they like later on.

But since houses often are unique, house shoppers should consider buying as soon as they find what they want, he said. Finding a similar deal later on may not be possible.

- Don't rush.

Expectation: Price drops to continue two to three years.

Like the "good time for some" crowd, some advisers say shoppers should buy once they find the deal they like.

But they should take their time and negotiate hard, pointing out that prices will keep falling. Once a price is agreed upon, buyers should ask the seller to pay closing costs and perhaps help pay down the buyer's mortgage rate.

"Do (buyers) need to rush out right now and get it done? No," said financial adviser Richard Crum, president of RS Crum Inc. of Newport Beach. "But if they find the thing they really want, and the schools are good, get it. Don't try to be a bottom fisher here."

Crum's reasoning is more philosophical than economic. A home should be viewed as a place to live rather than an investment, he said.

Michael Carney, a professor of finance and real estate at Cal Poly Pomona, maintained that it's foolish to try to time a home purchase for the market bottom. On the other hand, Crum and Carney warned, a market turnaround is a long way off.

"If prices keep falling, will you look back and say, 'Oh, I was smart to buy a house at the end of 2007?'" Carney asked.

- Wait a year or two.

Expectation: The bottom is one to two years off, with loan payment adjustments (or resets) expected to peak in 2008, flooding the market with foreclosures.

Stay on the sidelines and wait for further price drops, argues Beacon Economics' Thornberg.

Prices are low? They'll go lower, Thornberg says. Inventory is high? It'll go higher.

And don't worry about interest rates, he said.

Interest rates and prices offset each other. If rates go up in the next couple of years, the decline in prices will be that much more acute.

"You have to be a real estate agent to say the prices are going higher or that the bottom is just around the corner," said Chip Hanlon of Delta Global Advisors in Huntington Beach. "They're the only ones who believe that, and I doubt they believe it themselves."

According to Delta's analysis, U.S. home prices would have to fall 25 percent to get to the historical average home price-to-income level.

Hanlon said: "People say there are bargains out there. My response is, 'You ain't seen nothing yet.'"