



Rent or Buy a New Arizona Debate?

It was only a few years ago many Arizona homebuyers were priced out of our real estate market. First time homebuyers, those who wanted to down size or those who were starting over after a short sale or foreclosure weren't able to afford the inflated prices. *There is a new Arizona market growing among us!* Arizona mortgages and housing are once again affordable. Trulia.com recently ranked the Phoenix area as one of the top 10 most affordable cities in the country! Affordability is at a generational high due to low home prices and rock-bottom interest rates on Arizona mortgages fueled by a Fed Monetary Policy that won't last forever! The cost to own is many times less than the cost to rent. See example below.

Average SFR rental rate: \$1302
Average SFR purchase price: \$171,500

Using the average purchase price of \$171,500 at an interest rate of 5% ~ the estimated principal, interest, taxes & insurance (PITI) payment using a FHA Loan with a low 3.5% down is **\$1196.43** a month! Subtracting this from the average rental rate of \$1302 the homeowner is saving \$105.57 per month to own instead of rent! Once they account for the mortgage interest tax deductibility benefits, the savings is even greater!

Now let's look at the relationship between falling prices and rising interest rates for all of those Arizona people who are waiting for values to decline further. Using the same average purchase price of \$171,500, a FHA Loan, and reducing the price by 5% we get a purchase price of \$162,925. With an interest rate of 6%~ (FHA Loan) the estimated PITI is **\$1244.98**. **To summarize, if the average price drops by another 5% and interest rates increase by a point the payment is almost \$50 more per month to wait than buy now!** The mortgage bond markets, which drive interest rates, have struggled to maintain a floor over the last week and as a result interest rates have trended upward.

One of the benefits of the large supply of homes on the Arizona market is that buyers have many options to choose from as well as negotiating power to receive closing cost contribution. I'm not saying it's easy ~ I know firsthand with all the foreclosures and short sales, this market is challenging on many different levels! I also know this Arizona market will bring opportunity to those who choose to seize it!

75 degrees on the horizon for this Saturday....get out and enjoy our Arizona Winter☺

~Kelly

Quote of the week: When the going gets tough, those with a dream keep going. ~ Ben Feldman

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