

Real Estate Newsletter

By RE/MAX Generation
Texas Mortgage Professionals, LLC



Market Snapshot

Houston home sales rose for the tenth consecutive month. Sales volume was up 4.5% from previous year with the average price increasing from \$ 292,095 in 2016 to \$ 299,131 currently. Listing inventory is up 5.0%, but should be less once those effected by Harvey are taken into consideration.

The Houston housing market is still being driven by current relocation of major players in the corporate world. It appears that the set backs from the drastic drop in oil prices is adjusting and the re-locations are coming back into play. Long term, if there are no set-backs, should see a strong to very strong Houston market. In fact, it appears that there could be a drastic shortage of re-sale inventory within 18 to 24 months similar to what was the case about 4 years ago. During that time, prices escalated with multiple offers at or above asking prices.



Debra Leavings
Realtor
RE/MAX Generation

713 472 3929
debleavings@gmail.com
debrallynnproperties.com

Word on Effects of Hurricane Harvey

A word on Houston estate After Hurricane here is expect.



the real market. Harvey, what to

Effectively, there are two markets now. One that flooded the other that did not. The ones that did not flood will be more in demand with less of availability inventory. Prices for those homes likely will increase. Just the opposite for those who did see water from Harvey.

So, what happened after hurricane Rita will likely happen to Houston, although Houston has a larger land area that could offset the increase desire for homes as opposed to what happened to New Orleans. In New Orleans, the home values increased by nearly 48% although not immediately since Rita which was in 2005. New Orleans has not fully recovered from Rita and many areas that were formally neighborhoods are still undeveloped. I expect that Houston will experience a similar increase in values, but not quite as drastic as after Rita.

For homes that flooded, that market will take a downturn.

The apartment and rental market is stronger with rents increasing almost immediately by up to 20%. This will stabilize once repairs to flooded homes are complete and people can move back into their homes.



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281 787 1530
annamaria@txmpro.com



Texas Mortgage Professionals: NMLS 308938

Anna Maria Durr, NMLS 266699
Loan Marketing/Production Manager
texashomeloanpro.com

Little Known Facts

Did you know that once a listing is placed into the Houston Multiple Listing Service, that information downloads into all of the various web sites such as Trulia, RedFin, Realtor.com.

What matters is the Realtor you hire.

Sad, but true, that technology has removed the value of large offices.

However, time has not removed the value of an experienced Realtor or loan officer with a huge moral compass.



Rent vs. Purchase

Think about owning rental property

There are many reasons to lease a property. There are more reasons to purchase one.

Let me explain

Assumptions:

Price of property: \$ 225,000
Lease of similar property: \$ 1,800/month
Rate of appreciation of housing: 2%
Tax rate on income tax: 30%
Taxes on property: 3%
Insurance on property: \$ 200/month
HOA Fee: \$ 50/month
Interest rate: 4.25%

So, for a property that costs \$ 225,000 and a buyer puts down 20% to avoid mortgage insurance, it looks like this:

\$ 225,000 sale price
x 80%

\$ 180,000 @ 4.25% = \$ 885
Taxes on property: \$ 562
Insurance: \$ 200
HOA fee \$ 50

Total Cost: \$ 1,697/month

Benefits of ownership based on monthly numbers

2% appreciation: **\$ 375**

Reduction of mortgage based on 30 year amortization **\$ 497**

Personal tax savings: Depends on bracket, but assumes that the standard deduction is not used. 25% tax bracket. Take \$ 225,000/29 years and the deduction is \$ 7,758 which at 25% bracket is \$ 1,939 per year or **\$ 162**

So, the savings and appreciation are:

\$ 375
\$ 497
\$ 162

\$ 1,034/month savings

Cost: \$ 1,697 Principal, Interest Taxes, Insurance and HOA

Savings: \$ 1,034

Effective payments: \$ 1,697 less \$ 1,034 = \$ 663/month vs rent at \$ 1,800 per month.

It pays to own if you can.

This does not take into account that there are repairs on the property that are hard to determine. Even if repairs were \$ 500 per month, it still is much better to own than rent.

