

Special Focus ~
Home Buying Blunders for 2009
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Housing prices are down, and mortgage rates are low. Still, experts advise that potential buyers exercise caution before venturing into this real-estate market. With cheaper home prices, lower mortgage rates and big discounts on foreclosures, buyers will have plenty of incentives to get into the real estate market in 2009. But anyone considering buying a house next year should proceed with caution. After all, a gloomy outlook for home prices, the ongoing financial crisis and a potentially historic recession create a number of potential pitfalls. To help you navigate an uncertain market, we've compiled a list of leading home-buying mistakes for 2009, based on conversations with real-estate professionals.

1. Buying for the short term

With home prices at the national level expected to continue declining throughout most of next year at least, 2009 won't be a good time to try to turn a quick buck in the real-estate market.

Many homes purchased in 2009 will lose value in the short term. And although they are likely to recover that value when the market rebounds, it remains unclear just when home prices will bounce back.

"If you're not planning on living in that house for more than three to five years, I wouldn't buy anything right now," says Richard Green, director of the Lusk Center for Real Estate at the University of Southern California. "Nobody knows what is going to happen to prices over the next few years."

So if you're going to buy real estate in 2009, you're better off buying a home that you plan to live in for a long time, rather than a short-term investment property.

2. Not understanding your local market

Although it's easy to get caught up in the gloomy national housing trends, prospective homebuyers should be paying more attention to what's going on in the market where they are considering purchasing property. After all, home prices in your market could be moving in the direction opposite to the rest of the country.

"Individual markets are not the national market," says Keith Gumbinger of HSH Associates. "(The real estate market) is tremendously individualized."

3. Not scouring for deals

Prospective homebuyers can obtain a solid understanding of conditions in their market by talking to a real-estate professional, reading the local newspaper's real-estate section or finding a good housing blog that covers the area.

With the fall in home prices expected to persist, 2009 will be a buyer's market. As such, people considering a home purchase should understand that they are in the driver's seat and be on the lookout for deals.

"It's definitely a buyer's market," says Mark Hanson, a managing director who handles real estate and finance research for the Field Check Group. "Look for deals; go in there and lowball; look at foreclosures."

But while haggling is healthy, be careful not to go overboard. Buyers who make insultingly low offers are likely to be considered "bottom feeders" and dismissed by sellers, Gumbinger says.

4. Purchasing a foreclosure just because it's cheap

While foreclosures can offer homebuyers big discounts, such properties sometimes come with a great deal of baggage. For example, the previous owners could have left the home in poor condition, requiring thousands of dollars of repairs, says Joshua Dorkin, the founder and CEO of BiggerPockets.com, a real-estate networking and information site.

"A pitfall for 2009 would be buying a foreclosure without knowing what you are getting into," Dorkin says. "Because that great deal may not be so good if you get inside and you find out that the floors are ripped up and the walls are destroyed."

Before you decide to go foreclosed-home shopping, do your homework or contact a real estate professional with experience with such transactions.

5. Overly aggressive buying

Even if you've found the perfect property, make sure it is something you can reasonably afford.

Many economists expect the current recession to be the nastiest in decades, with some projecting the unemployment rate to hit 9%. That means that 2009 won't be a good year to try to stretch your finances.

"Just because a lender says you qualify for this much of a loan doesn't mean you should buy that much of a house, especially if that is 50% of your take-home pay," Hanson says. "What happens if you lose your job? We're going into a period of heavier unemployment, so buy conservatively."

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