

Is the Actual Cost of a Home in Charlottesville Still a Bargain?

With home prices and interest rates on the rise, you're likely to assume that the cost of that next Charlottesville home you're thinking about buying has made it a financial stretch—especially compared with “the good old days.” But news stories tend to omit the effect of rising incomes and actual inflation on the *real* cost of a home in today's market—which turns out to be something of a bargain!

A recent calculation may not hold true for everyone, of course—nor does it apply to the cost of every Charlottesville home—but the details make sense when you think about them. The comparisons are from a study by *Zillow Research* on housing affordability across the U.S.

Researchers were looking into how much havoc the rise in U.S. mortgage interest rates has wreaked on affordability for the typical family. They assumed a current standard 30-year fixed rate of 4.3% (although according to Fannie Mae, last Friday's average was actually lower: 4.17%). Since the best way to track the cost of a home is by determining the percentage of income needed to buy a home, all that's required is the typical home's price, the average mortgage interest rate, and median home buyer's income.

Using that formula, a graph of the outcome shows that overall, the historic percentage of median income required to buy a median-priced home is 21%. In the last quarter of 2017, the same measure came to only 15.7%—just three-quarters of the chunk of income that buyers have had to pay in the past.

Of course, unless you are a median person (I've never met one of those) buying a median-priced Charlottesville home, what really matters is the specifics: what you agree to pay for a home; what your own actual income is; and the mortgage interest rates you are offered. Those three elements will make up the *cost* of the Charlottesville home you've had your sights set on—the *price* is just one component. And if prices continue to rise as anticipated, by the time interest rates hit 5%, the percentage of median income needed to buy a median-priced home will still be 2½% lower than the historical average.

In other words, getting down to the specifics is the only way to determine what is actually affordable in today's market. Give me a call—helping you with the details is part of my job!



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SETH BATTON

REALTOR, ABR®, e-PRO®, GREEN®

Born and raised in the Shenandoah Valley of Central Virginia, I love everything outdoors. Most of my free time is spent hiking, rock climbing, playing water sports, or cooking out on the back deck with friends. As a child, my parents built me with the core values of a southern gentleman. Trust starts with honesty and honesty builds integrity. I'm a technology guru! One of my favorite hobbies is restoring old homes in depressed neighborhoods to meet the needs of our generation today. My mission is to build a career worth having, a business worth owning, and a life worth living. Being GREEN® is more than just the resource efficiency of your home. It's a lifestyle choice! Let's discuss how to minimize your carbon footprint in everyday life by simplifying your daily commute, decreasing your household energy costs, and boosting the efficiency and sustainability of your daily routine!

I'm an Accredited Buyer's Representative (ABR®) with the National Association of Realtors. Which means I have extensive training to help walk you through the home buying process from start to finish. From lenders and home inspectors to mortgage agents and closing companies, together we will find the best home for your family's needs!

As an e-PRO®, I can show your home to over 500 million visitors today. And you don't even need to vacuum! Curb appeal isn't just about looking good from the street. It's about looking good from the digital highway!

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