HOUSING

The Portland Observer

Housing Affordability Conditions Remain Strong

Lower mortgage interest rates, higher median family income and a buoyant economy continued to boost housing affordability conditions during the last quarter of 1997 and the year as a whole, according to the National Association of Realtors.

NAR's composite Housing Affordability Index was 132.3 during the fourth quarter of 1997, compared to 126.9 in the previous quarter and 131.6 in the fourth quarter of 1996. The composite index measures affordability factors for all home buyers. It is a relative index, with 100 defined as the point where a family earning the median income has the exact amount needed to purchase a median-priced existing home.

NAR President R. Layne Morrill said the rise in affordability is related to low interest rates and the generally healthy real estate market. "Low interest rates, modest growth in home prices, and a positive expectation regarding jobs and the economy all translate into a robust home market," Morrill said.

According to Freddie Mac, the average effective mortgage interest rate for existing homes was 7.47 percent during the fourth quarter, down from 7.64 percent in the third quarter of 1997 and 7.71 percent in the fourth quarter of 1996.

The affordability index shows half the nation's households had 132.3 percent of the income needed to purchase the median-priced resale home during the fourth quarter, which was $124,800. Under these conditions, a family earning the median income of $44,197 can afford a home costing $165,100.

Dr. John A. Tuccillo, NAR's consulting economist, said he expects favorable affordability conditions to continue through 1998. "We project the housing affordability index will be approximately 132 during 1998, meaning the typical family will continue to be in an excellent position to buy a home," Tuccillo said.

First-time home buyers, however, remain at a relative disadvantage compared to repeat buyers, their purchasing power is gaining strength. NAR's first-time home buyer affordability index was 84.1 in the fourth quarter, compared to 80.7 in the third quarter and 83.6 in the fourth quarter of 1996. According to this index, a typical first-time buyer household, aged 25 to 44, essentially had 84.1 percent — less than enough — of the income needed to buy the typical starter home. Under affordability conditions during the fourth quarter, the median-income first-time buyer earning $27,526 could afford a home costing $89,200 in the fourth quarter.

"The relative improvement for first-time buyers in the fourth quarter compared to the third quarter was due mainly to low interest rates, but also partly to a short-term decline in the prices of starter homes during the latter part of 1997," Tuccillo said.

A variety of low down-payment home finance programs and generally favorable affordability conditions are expanding ownership opportunities. As a result, the overall home ownership rate continues to grow. The U.S. Department of Housing and Urban Development (HUD) recently reported that nearly 66 percent of American families own their own home — the highest rate ever recorded.

Morrill pointed out that NAR is involved in a national initiative, involving HUD and more than 60 other housing organizations, to further increase ownership opportunities.

adidas Moves Into Northeast - And Buys A House

With its first and only flagship retail store in America open for business on NE Martin Luther King Jr. Boulevard, adidas America again has strengthened its presence in the community by taking on a bit of residential construction: today, the company formally announced its sponsorship of a Portland Habitat for Humanity home on NE Failing Street. adidas America and Habitat will break ground on the project in March 1998.

In addition to a $50,000 sponsorship, adidas America has pledged volunteer support to help build a new, single-family Habitat home.

Hundreds of adidas employees will pound nails and maneuver Skilsaws on site throughout the project which is anticipated to take six months.

"This is a wonderful opportunity for adidas employees to continue their hands-on involvement in the rebirth and redevelopment of Northeast Portland.

This project will instill a greater sense of commitment to community and family for all involved.

This is an opportunity to participate in good will and good works where everyone benefits and, more importantly, it's the right thing to do," said adidas America President and Chief Executive Officer Steve Wynne.

"adidas understands that homeownership is important to the Northeast community," said Portland Habitat Associate Director Doreen Roozee.

"In the same way that business strengthens the economy, homeowenership strengthens the neighborhood."

adidas is the sole sponsor of the project, and has appointed Harold Strasser as project coordinator of Portland Habitat's 36th house.

A low-income family will work alongside adidas employees and community volunteers to build the home, then purchase it at cost through a zero-interest Habitat mortgage.

For more information about the adidas house or Portland Habitat, call 287-9529.

Fannie Mae Foundation awards NBA player

For his outstanding volunteer commitment and dedication to the community, Avery Johnson of the San Antonio Spurs will receive the Fannie Mae Foundation "Home Team" Community Service Award. Johnson is the first recipient of the award and will accept it among thousands of fans at tonight's Spurs game. The award includes a $25,000 grant which the Foundation will contribute to a nonprofit housing and community development organization of Johnson's choice.

"Winning this award is a huge honor and I'm grateful to the Fannie Mae Foundation for selecting me. I've been blessed in my lifetime, so it is very important for me to reach out to the community and touch lives and lift spirits," said Johnson.

"Avery represents the true meaning of giving and caring about others," said Ann Wheelock, Executive Vice President and Chief Operating Officer of the Fannie Mae Foundation. "The time and energy that he devotes to the Foundation's 'Home Team' program and in his own community is extraordinary and should be rewarded."

For the past five years, Johnson has volunteered for the Fannie Mae Foundation's "Home Team" program which was created to revitalize inner-city neighborhoods.

Last year, he donated more than 100 hours in over 35 community volunteer activities in San Antonio. In 1996, with the local Jeep-Eagle Dealers, Johnson created A.J.'s Alley, which enables 1,000 underprivileged youth to attend a Spurs game every season.