

- JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS
- X. COMMUNITY INVOLVEMENT - CITY, STATE, AND NATION
 - A. Examples of Correspondence and Articles
 - 5. Radio Interview on Single Family Home Market
with Richard Mahler

UNIVERSITY OF WISCONSIN-MADISON

GRADUATE SCHOOL OF BUSINESS

1155 Observatory Drive
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April 15, 1975

MEMORANDUM

TO: Richard Mahler

FROM: Prof. James A. Graaskamp

RE: Radio Interview on Single Family Home Market

1. What is good advice for those planning to buy a new home today?
 - A. Think small in terms of space requirements to avoid heating and lighting costs of unused space since energy bills will triple in the next 10 years.
 - B. Assume you will be using the automobile in 5 years only half of the time and distance that you use it now and pick a location which is convenient to daily needs without using the car.
 - C. Define your locational preference very precisely, outlying space needs realistically and then ally yourself with a single, reliable realtor.
 - D. Don't be impatient to invest on a Sunday afternoon compulsion. Play a waiting game until something suitable comes on the market, which is a close fit to original requirements. Just because the right house is not listed for sale at the moment, doesn't mean that an ideal unit will not appear on the market in the next several months.
 - E. Buy location and basic space, and expect to update, equip, and renovate one house over the years rather than hopping from one house to the next.
2. How and why is a single family home market changing?
 - A. The single family home market is changing, not only because of original cost but also because of energy costs, real estate tax policy, and changing life styles and objectives for young couples. They no longer dream of a home in the suburbs as their ultimate objective. For many reasons, people will buy smaller homes, or smaller parcels of ground closer to the existing city, and postpone that purchase longer than has been the case in the past.
3. Is adequate mortgage money available?
 - A. For the balance of 1976 there will be adequate mortgage money available but interest rates below 9% will only be available to those who can provide substantial downpayments.

- B. Wisconsin offers very favorable financing to state veterans, as low as 6 3/4%, through the State Department of Veterans Affairs.
 - C. On the other hand it is more difficult to buy a home subject to existing mortgages of favorable interest rates as lenders in recent years have modified loan terms so that a change in ownership may give them the option to renegotiate interest rates or retire the mortgage.
 - D. In those areas which continue to enjoy continued growth in the number of people aged 25-55, conventional suburban homes will continue to inflate in cost despite the trend toward smaller buildings. The energy crisis will put a premium on close-in sites or those with public transportation while construction of new housing will cost more due to escalator labor contracts and increasing requirements of municipalities imposed on developers to finance parks, schools, storm water drainage, and so on in the price of the lot. Increasing regulation of development and land use delays development and increases cost of planning and construction.
4. Are changing life styles affecting home buying today?
- A. Quite a few young couples are starting to acquire older, rundown properties in established parts of the city and renovating them, doing much of the work themselves. They reduce their dependency on the automobile and build equity by improving resale value of their homes through their own efforts.
 - B. It is still possible to buy a dream home in the suburbs but today it means that both husband and wife have been working and have sacrificed alternative luxuries such as travel, appliances, and big cars in order to create a considerable savings account which is adequate for the downpayment and for cash payment for landscaping, furniture, and so on. It is no longer possible to have both a fancy new home and all the other doodads which tempt the American consumer because rising property taxes, utility costs, and high interest rates will take more than the 25% of income a family was supposed to spend on housing. Today the suburban home may consume 40% of income and that requires sacrifice of other discretionary expenditures.