

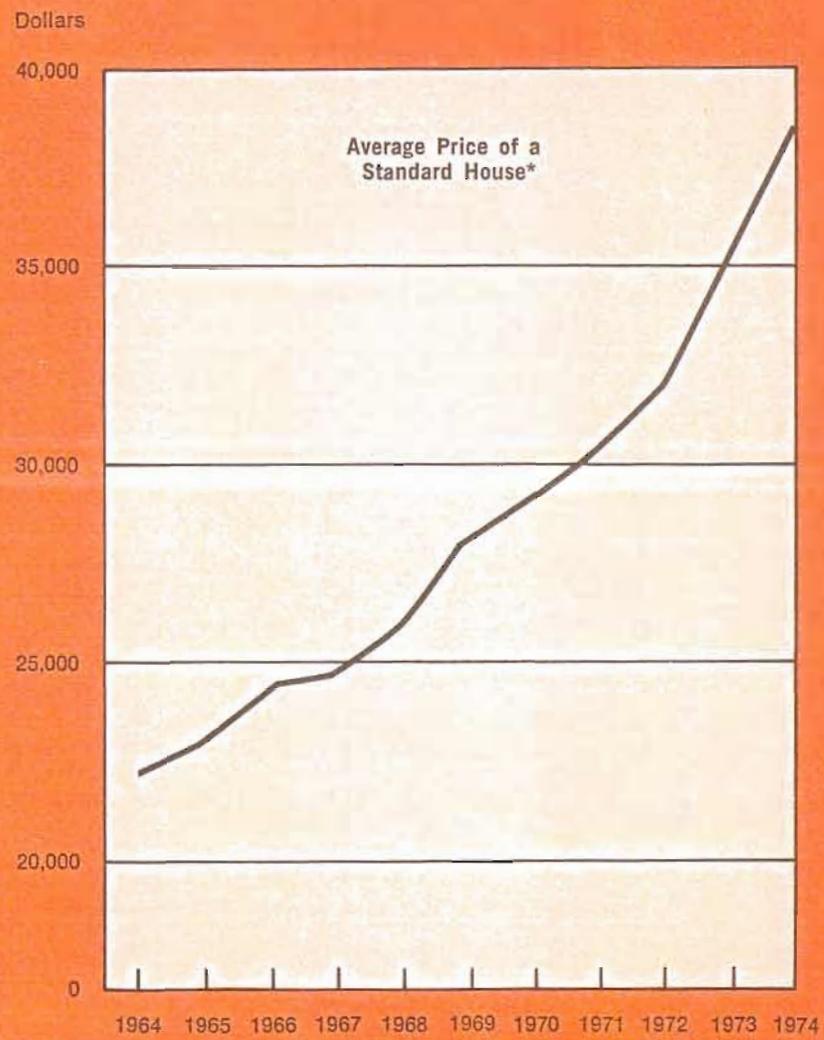
THE RISING COST OF BUYING A NEW HOME

By James J. Bacci



CHART 1

WHILE THE PRICE OF A NEW SINGLE-FAMILY HOME HAS NEARLY DOUBLED IN THE PAST TEN YEARS . . .



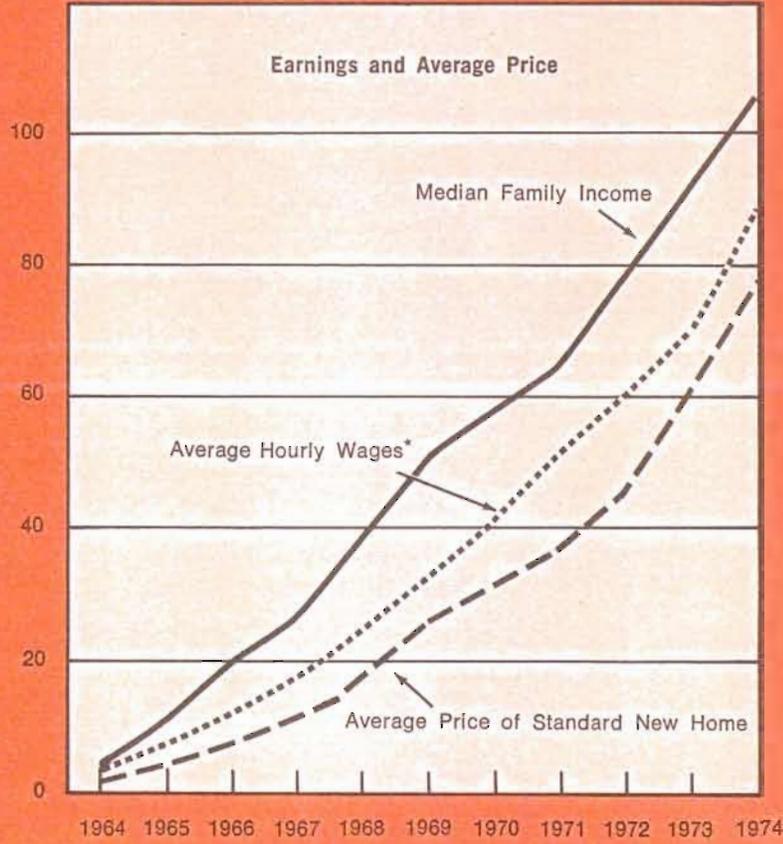
* Estimated price of a constant quality home, with amenities such as number of stories, floor area, number of bathrooms, central air conditioning, and type of foundation held constant.

SOURCE: U. S. Department of Commerce, *Construction Review*.

CHART 2

. . . INCOMES HAVE IN GENERAL, RISEN SLIGHTLY FASTER.

Percent Increase Since 1963



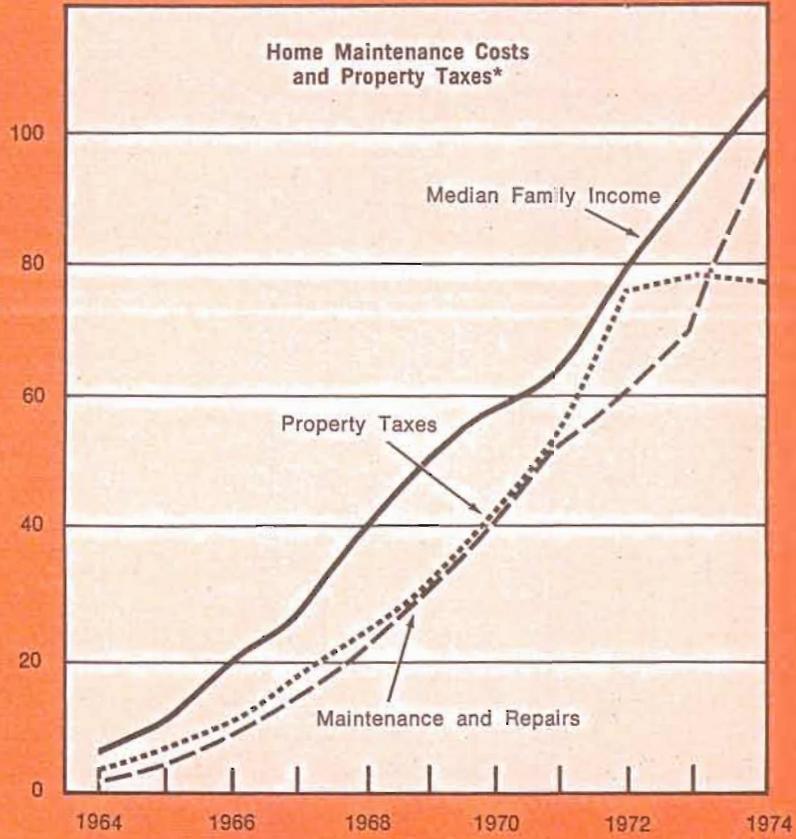
* Hourly earnings of nonsupervisory workers on private nonagricultural payrolls.

SOURCE: U. S. Department of Commerce, Bureau of Census, *Consumer Income*; *Construction Review*; U. S. Department of Labor, Bureau of Labor Statistics.

CHART 3

AN EQUALLY IMPORTANT MEASURE OF THE REAL COST OF HOME OWNERSHIP, HOWEVER, IS THE CARRYING COST OF THE PURCHASE. IN THE LAST DECADE BOTH MAINTENANCE AND TAXES ON A STANDARD HOME HAVE INCREASED, THOUGH AT A SLOWER RATE THAN THE RISE IN INCOMES.

Percent Increase Since 1963

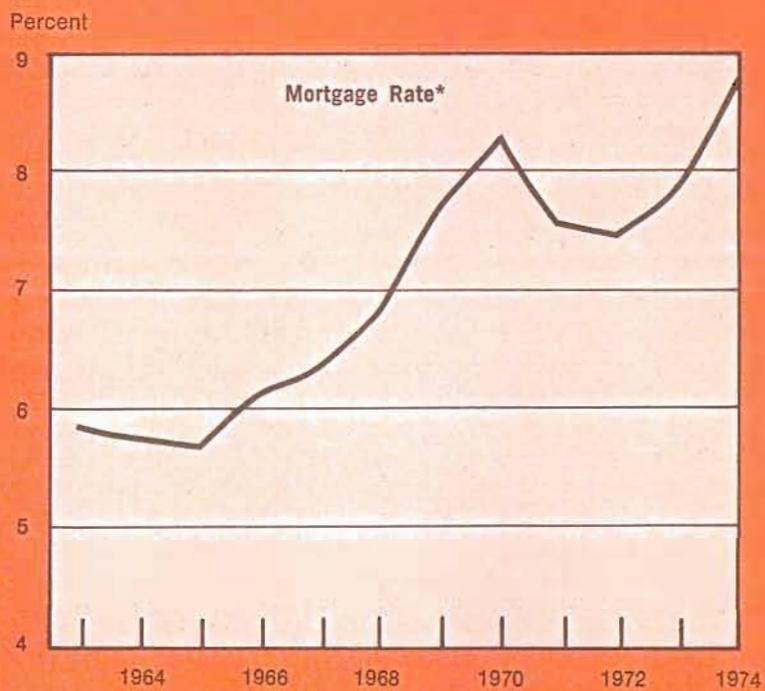


* Based on a constant quality house.

SOURCE: U. S. Department of Labor, Bureau of Labor Statistics.

CHART 4

BUT, WHEN MORTGAGE COSTS ARE COMBINED WITH THE ESCALATING PRICE OF NEW HOMES . . .



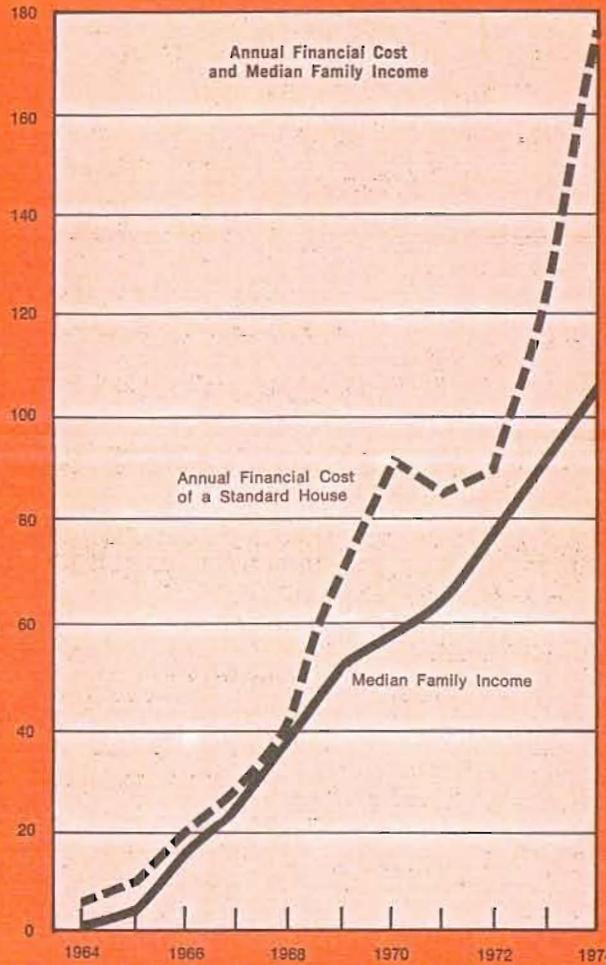
* Average contract rate of interest for mortgages on new home purchases in each year.

SOURCE: Federal Home Loan Bank Board.

CHART 5

... (SOMETIMES REFERRED TO AS THE "FINANCIAL COST"* OF PURCHASING A NEW HOME) THE TWO TOGETHER HAVE OUTSTRIPPED THE RISE IN INCOMES.

Percent Increase Since 1963



* The yearly financing cost of standard new one-family home purchased in each year, defined as the contract mortgage rate times the average purchase price. It includes both the opportunity cost of personal funds employed and the interest cost of the mortgage. Homebuyers have the choice of financing their home with a mortgage and paying the going rate, or employing personal funds to make the purchase. If personal funds are used, the buyer's cost is not the mortgage payment but the opportunity cost of the interest lost by not being able to invest those dollars in other long-term investments.

SOURCE: U. S. Department of Labor, Bureau of Labor Statistics; U. S. Department of Commerce, Bureau of Census; Federal Home Loan Bank Board.