

Building The Economy

If you have any doubts about the true value that a home represents, visit your local home improvement store on a Saturday morning. After a hard week's work, what could possibly motivate people to walk the aisles seeking plants, decorative fixtures or new appliances? The answer is homeownership. An integral part of the American dream, a home is where memories are made and how many individuals gain the opportunity to build wealth over time. Homeownership has a significant impact, not only on the individual but also the community and economy at large.

"Housing contributes to GDP in two basic ways: through private residential investment and consumption spending on housing services. Historically, residential investment has averaged roughly 5% of GDP, while housing services have averaged between 12 and 13%, for a combined 17 to 18% of GDP."

Source: National Association of Home Builders (NAHB)

THE ECONOMY

Home construction has a measurable impact on the economy, generating employment in a number of industries. Residential real estate:

- creates demand for both skilled and unskilled labor in the construction sector.
- drives the need for manufacturing jobs within industries that supply materials and equipment such as lumber, fixtures and appliances.
- propels employment in the businesses that service homeowners, including real estate, mortgage banking and home furnishings.

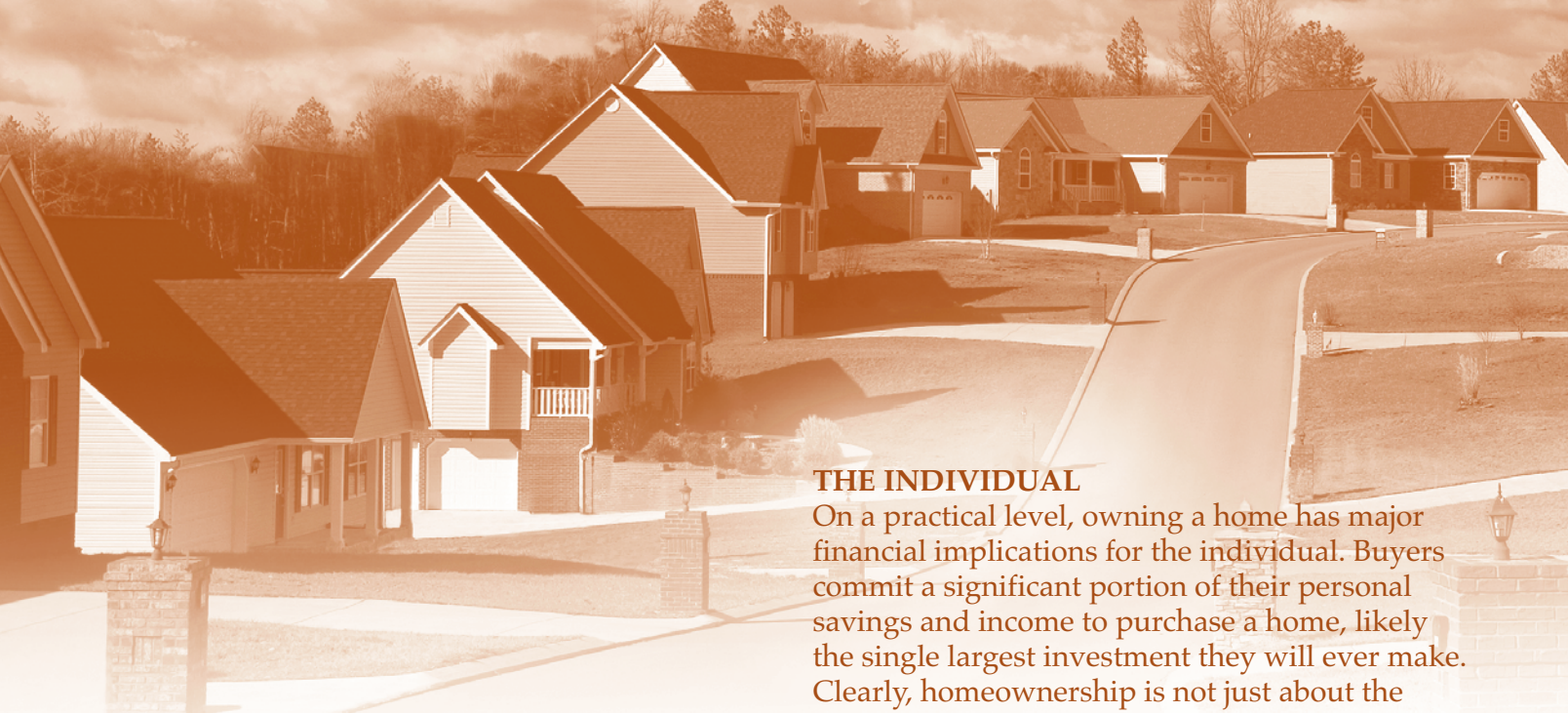
The economy is further stimulated by the collection of taxes at both the federal and local level. Each worker contributing to real-estate-related commerce pays federal, state and Social Security tax. Every business impacted pays taxes as well. When purchasing materials for construction, further sales taxes are levied. Added to this pool of revenue are fees for services such as utility installments and building permit approvals.

For a more concrete look at how home building affects the local economy, consider these remarkable figures:

ESTIMATED LOCAL IMPACT OF BUILDING 100 SINGLE-FAMILY HOMES IN A TYPICAL METRO AREA

	Private Income Earned	Government Revenue Generated	Jobs Required
First-year impact:	\$21.1 million	\$2.2 million	324
Annual recurring impact:	\$31.1 million	\$743,000	53

Source: NAHB, 2009



THE COMMUNITY

Homeowners have a vested interest in the well-being of their communities. Compared to renters, residents who own their homes tend to be more involved in the following ways:

- work together to reduce crime
- contribute to a stable work force
- support efforts to improve neighborhood schools
- engage in local politics
- participate in community organizations
- sustain social networks

THE INDIVIDUAL

On a practical level, owning a home has major financial implications for the individual. Buyers commit a significant portion of their personal savings and income to purchase a home, likely the single largest investment they will ever make. Clearly, homeownership is not just about the memories.

A home can act as an effective, long-term savings vehicle that allows you to build wealth over your lifetime. According to the latest Survey of Consumer Finances conducted by the Federal Reserve Board, **the average homeowner's net worth is more than 10 times that of the average renter.**

As a homeowner, you can also benefit from additional income tax deductions, including mortgage interest and property taxes. A typical taxpayer with a \$160,000 mortgage and a 6% interest rate, whose income falls in the 25% tax bracket, **could save nearly \$3,000 annually in Federal income taxes.**



Investing in real estate allows individuals to satisfy the basic need for shelter as well as enjoy the liberties associated with owning property. Though not risk free, this option has historically shown lower volatility than other investment alternatives.

The current rate of homeownership in the U.S. is nearly 67%*, indicating that there is now more opportunity for Americans than ever before. While there are typically additional expenses associated with owning a home, every dollar you spend is a dollar added to your net worth instead of someone else's.

*Source: U.S. Census Bureau