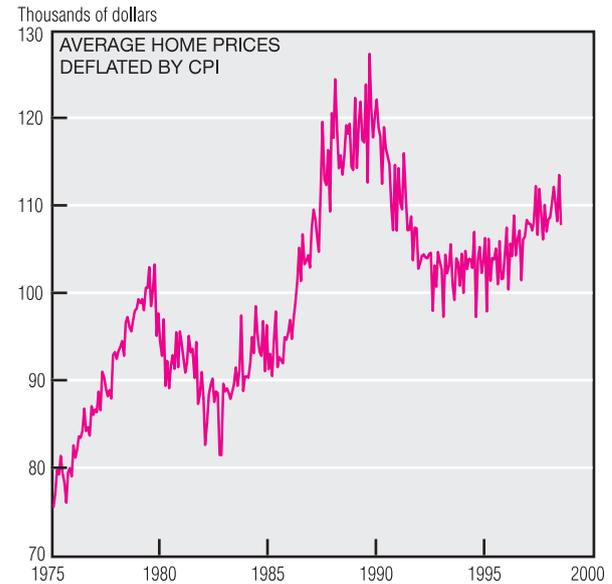
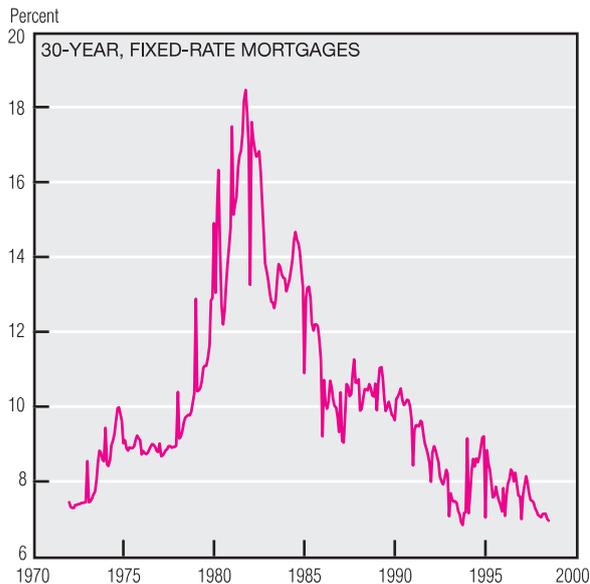
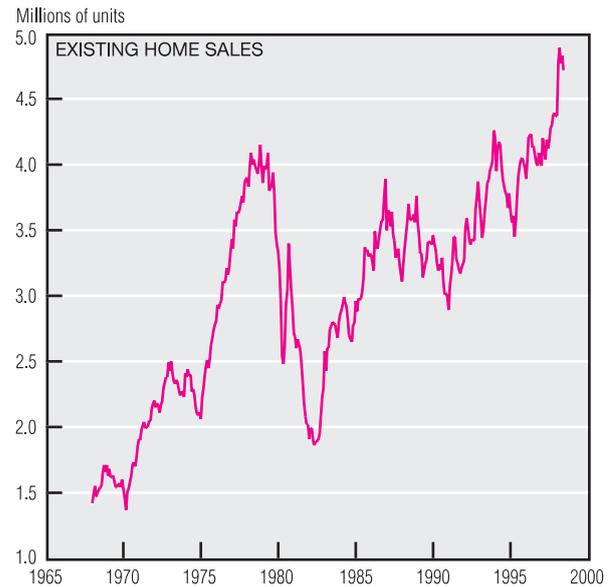
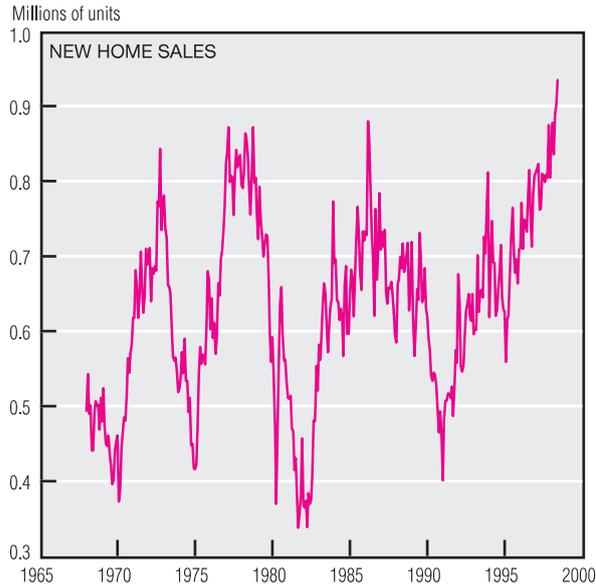


Home Ownership: The American Dream



SOURCES: Freddie Mac; and DRI/McGraw-Hill.

Despite recent setbacks in the stock market, low mortgage rates and high consumer demand continue to make 1998 a banner year for home sales. Early this summer, the National Association of Home Builders announced that new home sales had reached the highest point in more than 20 years. Sales of previously owned homes have been especially strong, with a projected volume of 4.77 million units. If the current rate continues, total home sales for 1998 are projected to reach

5.65 million, higher than any year on record.

The interest rate on a 30-year, fixed-rate mortgage has declined dramatically since the early 1980s, and the average rate is now 6.66%. Comparatively low rates and a strong employment market have made homes affordable for more Americans, and intense demand is driving up home prices; in some areas, such as Florida's western coast, they have risen as much as 20% over last year's levels. Even in the staid Midwest, 9% increases

over 1997 prices have occurred in cities like Detroit.

Low mortgage rates, gains from stock market investments, and a general perception of economic well-being have also redesigned homes. Today's dream house differs substantially from 1975's and costs much more, partly because added amenities are now considered "basic." More bedrooms and bathrooms, gourmet kitchens, and other luxuries have raised the average price of a new home to more than \$175,000 in current dollars.