

## MARKET ACTIVITY REPORT

FROM: JIM PRICE, Broker

**DISCLOSURE:** If you have never received my Market Activity Report before, well let's face it you haven't missed out on much. Life goes on and it looks like you survived without it. After twenty-five years in this profession you like to think you know something about something, but as sobering as it is, you don't know as much as you'd like to think you do. I'm also admittedly very biased and opinionated. So use that as a frame of reference when you read my MAR's which are posted unpredictably on our web site whenever the spirit moves me. Enjoy your summer, *your life and hopefully you are profiting from your investment in real estate.*



***Just remember, all real estate is LOCAL.***

The one fact I always try to keep in mind is, ***all real estate is local.*** Meaning that you can't read too much into what you're seeing in the national media about the real estate market. When those poor souls on both coast bought property in the past decade and boasted about their 10-20% annual appreciation, locally we may have been pushing 4-5% appreciation, now their property values have dropped 40-60% and many of them are "underwater" (they owe more than their real estate is worth.) Locally on the other hand, we may be taking it on the chin, but not nearly as bad as other area's of the state and nation. Yet, even if you purchased your home during the peak years from 2003-2007 and as a result paid 'top dollar,' chances are still pretty good that even though property around Wapak. has lost 20-30% of its' value, you aren't hurting as much because; (1) you have to live somewhere and still have a roof over your head, (2) doesn't affect you because you weren't planning on moving for anyways, (3) you still bought when rates were at historic lows so you now still can easily make your payments plus live in a very nice home that you may not have been able to afford at a higher interest rate, (4) know how to manage money and have made prudent adjustments in your lifestyle, (5) never borrowed as much as your banker told you could handle and have plenty of breathing room. Now, ***on the other side*** of the coin ***if YOU;*** (1) *bought way more than you should have,* (2) *overpaid because you were working with a less than honest or competent real estate agent who had no idea what houses were worth,* (3) *was plugged into an unsavory lender (and rest assured agents know who is reputable and who isn't) and you allowed them to push the envelope to increase their profit and your mortgage,* (4) *abused your real estate investment by treating it as a ATM, taking out a equity line of credit using your home as collateral.* Even if you fell into the later group, there are still options available to you; (1) loan modifications and work outs where you can either get a reduced interest rate, (2) loan moratorium or extension on your loan, (3) If all else fails, most banks will agree to allow a short sale (let you sell for less than what you owe and *sometimes* forgive the difference.) (4) Lately, the Obama Administration is talking like they may even bail out those homeowners who were less than prudent or owe more than their house is worth. So who knows, after all it's an election year, so just about anything will be promised and could happen, just look at health care...

**OVERVIEW:** In order to appreciate where this market is, you have to understand where it's been. Locally, 2003 through 2007 real estate was on fire. It seemed like everyone was buying and moving in those days. As we all know now, mortgages were handed out like cotton candy at the county fair, as a majority of banks (not all of them) abused their professional standards, loaning money to just about anybody that could fog a mirror in those early years of the new century. The system started to show major strain when foreclosures started to hit in increasing numbers in the middle of the decade (see chart below/red numbers indicate local foreclosures). Initially hardly anyone paid attention because these foreclosures started in the lower price ranges. Today, we are seeing more upscale properties and higher priced homes going into **foreclosure and selling for 30-40% less** than their 'normal' market value. What most homeowners don't completely realize or appreciate is as long as foreclosures keep coming on the market and sell for 30-40% less, everyone else's property value will continue to drop. Unfortunately it doesn't appear that foreclosures will stop anytime soon, as more are predicted to come on the market this year, even though they have been increasing about 20-25% each year for the past 3 years. It seems apparent we will continue to live with the aftermath of the irrational exuberance we experienced through the early part of this decade.

In 2009 we watched as total house sales across the board dropped 8% from '08, and were 23% lower than they were in Wapak. area in '07. **Home prices also continued to decline**, mainly because foreclosures were coming on the market in increasing numbers and comprised 30% of all sales. There were 3 or 4 months last year when 50% of the sales were foreclosures. Buyers should have been very happy because many were able to purchase 'deals of the decade' and also lock down historically low interest rates under 5%.

Anyone who thought the U.S. foreclosure crisis had abated would be wrong, (again look at our chart of sales below) according to industry analysts they are predict a doubling of real estate foreclosure rates in this year. U.S. home foreclosures have soared since 2006, and the foreclosure crisis became a key spark to cause the broader 2008 financial debacle. The foreclosure crisis had been largely driven by the **meltdown of risky subprime** mortgages, today the reasons have shifted to job loss and tightening mortgage requirements. Homeowners that are underwater now, in a majority of cases aren't able to refinance because they don't have any equity in their home, forcing most to stay in place and wait it out. The question remains, **how long before the market turns** back up and we start enjoying annual appreciation on real estate? The response seems universal in that most agree as long as foreclosures and bank repossessions keep coming on the market and sell for much less than their normal value, house prices will not rebound. With the projected inventory of foreclosures that could be 2-3 more years, unless there is job growth on the up swing.

**WHERE THE MARKET APPEARS TO BE:** With the Fed's inducing buyers with up to an \$8,000 tax credit or rebate, and sellers with a \$6,500 credit/rebate and interest rates still holding at historic lows you'd think the real estate market would be on fire again. Actually sales are noticeably up. The tax credit ends April 30<sup>th</sup>, and there is a last minute flurry of activity trying to beat the clock but not as fervent as you'd expect with these incentives. Buyers seem to have become complacent with single digit interest rates and must think they'll stay there forever, but leading indicators show that rates will soon be back on the rise.

<b>REAL ESTATE SALES BY MONTH/ YearToYear IN WAPAK AREA (8 mile radius)</b>														
1 <sup>st</sup> 3 months of 2010 sales were heading back up compared to previous year: Quick comparison of residential & rural sales in the Wapak area. GREEN BOX INDICATES RECORD SALES MONTH OVER PAST 10 YEARS. (All figures were taken from Court House transfers; include private sales and property sold through Realtors.)														
WE CAN NOT WARRANT THIS INFORMATION [±3% margin of error]														
YR	JAN	FEB	MAR	APR	MAY	JUN	MID	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
'00														
'01	<p>SORRY THIS INFORMATION ONLY AVAILABLE TO OUR CLIENTS</p>													
'02														
'03														
'04														
'05														
'06														
'07														
'08														
'09														
AVG														17
'10	13 <sup>7</sup>	18 <sup>3</sup>	23 <sup>6</sup>											

We plot EVERY sale in our immediate Wapak. market. (Look at the SALES ACTIVITY chart above – it's easy to see that locally, real estate sales in this market hit its prime for 6 record-breaking months in 2003 (see green shaded months for highest sales in recent years. NOTE: Fewer green shaded blocks, which represent record-breaking months and declining yearly sales.) Keep in mind, these are LOCAL SALES (all sales within 8 miles of Wapak area ONLY). 12<sup>4</sup> would indicate 12 sales/ 4 FORECLOSURE/SHERIFF sales

**WANT TO KNOW WHAT THINGS ARE SELLING FOR?** For ALL SALES conducted in 2010 until last month go to our web site at: [auglaizerealestate.com](http://auglaizerealestate.com) LOOK under **SNOPES**.



LOCAL FORECLOSURES POSTED ON SHERIFFS WEB SITE <http://www2.auglaizecounty.org/elected-officials/sheriff/sales>