



MARKET ACTIVITY REPORT

LOCAL SALES ARE STILL AT RECORD LEVELS

OVERVIEW: Real estate, like any business is cyclic in nature and I think we are about to move out of one of the hottest real estate markets we've ever seen. Having mortgage interest rates at their lowest in 45 YEARS undoubtedly has been the largest contributing factor to the exuberance real estate has witnessed both nationally and locally. However, locally we're beginning to see the signs of a market shift. Most of you don't know this, but we plot EVERY sale in our immediate Wapak market. (Look at the SALES ACTIVITY chart below – 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.) But, it's just as easy to see that '04 & '05 haven't kept up. Now, it's beginning to look like the pace is starting to cool off and wind down. NOTE: Fewer green shaded blocks, which represent record-breaking months and declining yearly sales.) Keep in mind, these **are LOCAL SALES** (immediate Wapak area ONLY). State stat's and even our regional stat's reflect much more positive numbers, but those figures don't isolate local sales. Instead they lump every sale into a state or regional "average," which tends to hide local market dips or significant down turns in market activity.

WHAT HAPPENED? Soon after 9/11 real estate activity was ignited by a surge in buying at the lower end of the price scale, which is dominated by the 1st time home buyer. The Feds went from holding onto mortgage money like your rich, stingy uncle, to opening up the spigots and flooding the loan market with plenty of cheap money at the lowest interest rates in 45 years. When rates dramatically dropped and the Fed loosened up on the regulations that qualified buyers, people discovered they could buy a house with no money down. No money down, meant little or no risk for the buyer. They had nothing to lose, and in a majority of cases most buyers were renters. With no money down financing, if they could afford to rent,.. they could afford to buy! And buy they did in record numbers all over the country. Now, there's a trickle factor that works like this. When a 1st time homebuyer purchases a \$60,000 house, they force that previous owner out the door, who then buys a \$85,000 home. That seller in turn buys a \$120,000 home and on and on and on. So there's a ripple felt from the 1st transaction all the way through the entire real estate market. That \$60,000 buyer ends up triggering a sale that could end up 4 house transactions later in the \$300,000 price range.

RUSH to REFINANCE - Couple that 1st time homebuying activity with the rush to refinance, which also started in record breaking numbers soon after 9/11. Initially homeowners went to refinance their mortgages because a lot of people bought homes when interest rates were much higher in the 80's and 90's (as recent as 1997 & 98 rates were 9½% on a 30 year fixed rate.) So if you had a chance to refinance that interest rate and bring it down 2, 3 even 4%, you bet you went back to your local bank and got it lowered and dropped your monthly payment \$100, \$200 whatever but it freed up extra money which people began to spend on other things. But, another significant change in banking regulations occurred in that same time period. You no longer had to walk into your local bank and negotiate your loan. Now, you could do it on the internet, or over the telephone. What a change that made.

Overall, it appears that local sales are still keeping up, even a little ahead of last years sales. Yet, we are seeing a **significant slow down** in sales of higher priced homes. With ever increasing fuel prices and the anticipated threat of the highest heating costs in history on the horizon, we think the most sophisticated buyers have taken pause. It appears high end buyers are waiting to see what is going to happen to the economy in the aftermath of Katrina, rising fuel costs and rising interest rates.

INTEREST RATES: are still holding steady around 6 % on a 30year fixed-rate (last year this time they were also 6%). everyone is anticipating higher rates, but to almost everyone's surprise they haven't happened. [many will end up regretting they didn't make the move while rates were so ridiculously low.] unlike last year when the 1st time Home Buyers was the most prominent buyer in the marketplace, this year we're seeing more move-up buyers & sellers. the next couple of months could be good or bad, depending on a lot of different circumstances. If rates take a significant jump, it's our prediction that will be the break point where the real estate market will start to head back to much lower levels of real estate sales (like we saw in the mid to late 90's- see chart below). The real estate boom as we've seen it over the past 5-6 years will be a fond memory and doubtfully be seen again for a long, long time.

SALES ACTIVITY RUNNING BEHIND LAST YEAR: Quick comparison of house & commercial 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 between owners and property sold through Realtors.) WE DO NOT WARRANT THIS INFORMATION [±3% margin of error]

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1996													
1997													
1998													
1999													
2000													
2001													
2002													
2003													
2004													
2005	19	22	32	32	19	23	31	35					

**** REAL ESTATE ACTIVITY HAS BEEN GOOD, COMPARED TO LAST YEAR. BY THE END OF LAST MONTH THE MARKET WAS 11 SALES AHEAD OF LAST YEAR. THIS YEARS LEVEL OF ACTIVITY IS STILL EXCEPTIONAL COMPARED TO RECENT YEARS BUT COULD BE SLOWING DOWN WITH RECENT EVENTS.**

SUMMARY: So you are sitting there saying, **“What does any of this have to do with my house?”**

Simply put, **E-V-E-R-Y-T-H-I-N-G !!!!!**

Look at the enclosed colored photo's of these 4 local homes marked **“BANK REPO.”** Did you see what these houses are for sale for? Can you imagine being a homebuyer and going through a newer house in an upscale, neighborhood that is less than 4 years old and seeing that it sold 4 years ago for \$99,500 but now it's a foreclosure and they only want \$73,500? Look at what these houses are selling for and very few of them are older than 10 years old. As a buyer would you then want to go out and look at a 75-100 year old homes that are priced in the 90's? Well, folks that's the most recent dilemma that we are facing. It's bad enough that the market is tightening up and buyers are decreasing in numbers with the onset of winter & rising interest rates, but now it's compounded by more and more foreclosed properties coming on the market that are priced “way below the price on your homes.”

What can you do? Try to have your house “standing tall.” **Remember you only have one chance** to impress a buyer. Too many sellers think there's an endless supply of buyers out there. Well, we're here to tell you there isn't and if you think eventually someone will eventually come through and like your house just the way it is; dirty, cluttered or unprepared for a showing, you're living in a delusion. If you have had 6 or more showings or 3 Open Houses since you listed and haven't seen an offer, there's something wrong! Start with your price, is your house competitively priced or are you still holding out for “top dollar.” Go back and pick up the Bank Repo homes handout, how does your house stack up next to those? Well, not every buyer is lucky enough to get those kind of deals, but about 70% of the buyers end up going through one of these REPO's and you can rest assured they remember what their money could have bought them there - compared to what your house offers.

We're heading into the holidays and the dead of winter, if you're sitting comfortable and can afford to hold on to your house through another winter – don't do anything and rest assured you'll still be there next spring. If, however, you're wishing you'd sold it 3 months ago and haven't seen an offer – it's high time to do something! Lower your price to where it should be to renew interest in it. Get ambitious and start doing something to improve its appearance. Paint is cheap and goes along way in freshening things up, **but don't just sit there and do nothing to improve your chances of getting it sold.**

NOTE: