



QUARTERLY
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. *Enjoy life and hopefully you are profiting from your investment in real estate.*

"The sky is falling,.. the sky is falling!"

If you believe what you read in the mainstream press (heaven forbid), or even worse you believe what you see on network TV, you'd think the worst investment you could make or have, would be owning real estate. Believe me folks; we have way too many Chicken Little's out there! *"The sky is falling! The sky is falling!"* (For those of you under 30, go ahead and google 'Chicken Little for an explanation of what we are talking about.)

Yes, I realize as an investment, real estate has taken an average of 20-30% dip in value locally in the past 4-5 years. Yet, prior to 2006, if you owned real estate in and around Wapak. we were enjoying a conservative but predictable increase in appreciation of 3-4% annually for a long time! And I agree with some of you who are either smart or old enough to remember that inflation was running at an equal rate some of those years back in the 70's & 80's. Bottom line, those of us who owned real estate since the 70's, 80's and 90's did quite well. Granted, now we are going through a 'normal', market correction. Well, let me qualify that last statement. It would be a 'normal' market correction, if there weren't so many obstacles standing in the way of a market correction.

Here's an example of what I'm talking about. I've encountered a dozen or more homeowners in the past couple of years who have just flat out stopped making their mortgage payments. In a majority of cases they didn't lose their job, or have a health emergency. No, instead they went through a divorce or their debt level rose beyond their means to meet all their financial obligations (in other words they spent more than they made.) What is amazing to me was that they hadn't made a payment in 12-24 months and were still living in the home! In one case, I was representing the buyer and the seller hadn't made a mortgage payment in nearly 2 years. The seller even had the audacity to refuse to move out after I got their bank to accept my buyers offer. In the end, the sellers' bank had to pay the seller a \$1,500 relocation allowance to vacate the property. As unusual as that may seem, now-a-days we see it happening more and more.

On another transaction, I had a homeowner who made great money working for a big auto manufacturer, but went through an ugly divorce. The homeowner stopped making payments over a year ago, but still lives there (although the grass is always a foot high before it gets mowed and it's in a really nice neighborhood.) Yes, the homeowners bank started foreclosure action against them, but the typical foreclosure takes over a year to finalize (there's so many foreclosures in the pipeline and now there's a growing concern with whether or not some banks actually have a legal right to try to foreclose. The foreclosure process has gone from a six month process to 16-20 months) Stop and think about the consequences of a bank not receiving mortgage payments for over a year and still having to bare the additional expense of mounting a legal action to pursue a foreclosure action. Plus having to offer the delinquent party a bribe (excuse me it's more political correct to say a "relocation allowance") to vacate the residence the bank actually owns. What is going on here?

Who really owns the loan?

Well, part of the problem is a **Banks living nightmare**. What is the worse thing that can happen to someone who has lent tens to hundreds of thousands of dollars? The short answer is - "they can't collect the debt." In many of these cases, the banks aren't able to collect the debt, not because the borrower can't pay it back but now-a-days more often than not, it's because the bank can't prove they hold the mortgage note (*make sure you read mortgage note and not deed.*) Like many mortgages during the real estate boom, home loans were bundled into a bond and sold on Wall Street to a new owner. And like so many loans, that transfer was never recorded in the county recorders office. Once the note is transferred there is a major difficulty in identifying who the actual owner of the note is.

At first (up until late last fall) foreclosures were being filed in record breaking numbers and the courts were evicting the previous owners on the other end. Than someone discovered that some of the paperwork had been falsified or forged (robo signing) to show that they held the note, but really didn't and then couldn't prove they owned the note before they filed for foreclosure. So those cases were suddenly thrown out and refiled or resulted in an extended delay.

And that becomes an issue when the owner of that note and mortgage wants to take back the house. The homeowner says show us the note, or you don't have a right to this house. If they can't show them a note they have no right to kick them out of their house. On the other side, the bank's view is there's a homeowner who stopped paying their mortgage. They knew they had a mortgage, they knew it when they bought the house and they get to laugh and stay in the house while the bank has to come up with paperwork they don't have. In Ohio this is all coming to a head in a pending case before the State Supreme Court.

But In a friend of the court brief, attorneys for government-owned mortgage giants Fannie Mae and Freddie Mac sided with the banks, warning a ruling against the banks would create a "jurisprudential quagmire" that would slow Ohio's mortgage markets. Foreclosure is the most common type of case in Ohio's courts. About 80,000 suits are filed a year. If

the homeowners win, the banks will have to work harder to prove they have the paperwork. The banks might have to pay some settlement to get the family out of the house.

Locally and nationally there's been a dramatic reduction in foreclosures. As a result of the "note crisis" described above (and I suspect a whole lot of political pressure from the Fed's), Banks have been diverting a growing number of foreclosures into 'short sales.' (A Short sale basically is when the lender agrees to take less than what is owed and in a majority of cases releases the person from the shortfall from what is owed, to what is received. This is my laymen's definition.) Lately I've been involved in a number of short sales and have to admit it often presents a better alternative to the owner than a foreclosure does. (If you need a better explanation or want to learn more on how it could benefit, email me your questions or concerns.)

MONTHLY SALES in WAPAK. SCHOOL DISTRICT OVER PAST DECADE														
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.) Foreclosures made up 39% of sales in 2010														
WE CAN NOT WARRANT THIS INFORMATION [±3% margin of error] Red Numbers indicate Foreclosure/Sheriff Sales														
YR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	%
'01	9	14	29	9	34	23	27	20	16	17	10	9	217	REPO
'02	9	13	27	29	13	22	22	23	25	43	15	27	270	
'03	21	25	16	11	26	33	42	44	41	29	16	25	329	
'04	11	22	33	29	26	30	32	19	28	24	22	28	304	
'05	19 ²	22 ⁴	32 ⁴	32 ¹	19	23	24 ¹	28 ¹	30	21 ⁵	24 ³	27 ⁶	301 ²⁷	9%
'06	20 ⁶	16 ⁶	26 ²	15 ²	25 ²	28 ⁷	34 ⁴	32 ⁷	35 ⁴	36 ⁶	37 ⁶	18 ⁶	322 ⁵⁸	18%
'07	33 ⁵	21 ⁶	23 ⁹	29 ⁵	28 ⁶	21 ²	29 ²	22 ¹	21 ²	28 ⁶	28 ⁸	19 ²	302 ⁵⁴	18%
'08	18 ⁹	15 ⁵	19 ⁵	25 ⁶	19 ⁴	20 ⁴	26 ⁴	33 ¹¹	25 ³	29 ⁸	17 ²	19 ¹⁰	265 ⁷¹	27%
'09	12 ⁴	11 ⁶	8 ³	28 ⁸	17 ⁴	19 ³	16 ⁶	27 ¹¹	33 ⁶	29 ¹³	24 ⁹	23 ¹¹	247 ⁸⁴	34%
'10	13 ⁷	18 ³	16 ⁶	16 ⁸	12 ⁵	29 ¹⁶	24 ¹²	18 ⁶	9 ³	21 ⁷	21 ⁸	28 ⁶	225 ⁸⁷	39%
AVG	17	17	23	23	23	23	27	27	27	27	21	21	276	
'11	26 ⁹	12 ⁶	21 ⁷	17 ⁷	12 ¹	24 ²	26 ⁷	21 ⁴						

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). 12⁴ WOULD INDICATE 12 SALES/ 4 FORECLOSURE/SHERIFF SALES

WHAT IS ON THE HORIZON: With gas and grocery prices on the rise, consumers seem to be focused on making their inflating dollars stretch. So the majority of buyers are **looking for deals**; like cheap interest rates, low down payments, extra's thrown into the sale (lawn mowers, W&D, fancy frig, closing costs paid by seller, etc.)

- (1) With a drop in foreclosures coming on the market, we are seeing more 'short sales' being used in lieu of foreclosures. This is a usually a good deal for both seller and buyer. (Check out our web site for more info. or google 'short sale.')
- (2) Last year our web site was averaging 58 visitors a day. That monthly figure doubled at the beginning of the year. We are now averaging about **133 visitors a day**. (Last month we had one day, mid-week that registered 363 visitors in one day.) So you can see buyers are looking interested in seeing what is out there.
- (3) **95% of buyers under 45 years of age**, (which is 65% of the buying population) start their home search out on-line. They rely on email communication with real estate agents, they want fast, instantaneous responses to their inquiries and questions, most carry smart phones that download your property information as they sit in front of your house looking at the outside. Far from being impulsive most are more sophisticated in their search than their parents or grandparents were. They often know as much about the property as their real estate agent, if not more. They know what you paid, about what you owe on your mortgage, if you are pending any court action, if you're divorced or behind on payments, all thanks to the internet which is like their own personal library of endless information.
- (4) **BE PREPARED for HIGHER INTEREST RATES**, it won't be long and these record low rates will be gone, not to return for a long, long time, *if ever*. Real Estate is going through some formative and drastic changes, but 'cheap money' will be a thing we'll remember and probably wish we all would have bought something when rates were **so low**. Look for higher down payments, tighter lending standards, 'honest' appraisals and fewer sales in the not too distant future. Lending will be more conservative, like it was 10-15 years ago before all the subprime madness started. House prices will recover but not to see wide swings in value, instead more market stability.

WANT TO KNOW:

- What houses are for sale or what they sold for?
 - What is pre-foreclosure, or a short sale?
 - Want an estimate of what your house is worth?
 - Want to see pictures of houses for sale?
 - Need information or insight on buying/selling?
 - Want to be sent NEW LISTINGS?
- Go to our web site at: auglaizerealestate.com**