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# MARKET ACTIVITY REPORT

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## INFLATION ,..

Here's just another reminder of how long I been around, pigging out at Mickey 'D's... I can remember when you could get a McDonald's hamburger for 15 cents in 1966. Yeah, and a full compliment of tableware (silverware, plate and cup) was given out when you purchased a tank of gas at your *locally owned* gas station. I know you heard me say this before, if you have been reading my columns over the years. So what? What does that have to do with anything, you say. But, don't let me get off on a tangent.

If in 1966 I had started to save for my retirement, how much money would I need to save, per day, to buy one hamburger, per day, in the future? Knowing that the hamburger was selling for 15 cents in 1966, but would cost a dollar in 40 years?

You might want to sit down while you read this. ***Inflation in the price of the burger has been 670% over 40 years.*** That comes out to 4.9% inflation, per year, compounded. If you had saved up your retirement in cash, you actually lost 'money', as your money lost its buying power at the rate of 4.9% per year.

Extrapolating, if you want to have a retirement lasting 20 years, after working for 40 years, and to do so with a retirement income equal to the buying power of 100% of your current income, then, adjusting for inflation and taxes, you have to save 50% of your income per year, every year that you work, for the whole 40 years! Hahahaha! Fifty percent!" (It gets worse, if you are only 20 years away from retirement, then you have to save 100% of your income!)

The point of all of this? If you're still under 30-40 years old, you better start investing in something that will give you a hedge on inflation. If you're over 50 and under 65, well if you haven't hit the lotto yet, keep playin' and also keep your day job! Can you say, "Welcome to Wal-Mart!" Practice, you might need to perfect it,.. (Oh sorry, forgot. If you're over 65, I pray you have saved, saved some more and your kids or grandkids have good jobs and a deep sense of gratitude for their grandparents. If not, well then you're in the same boat as the rest of us. Good Luck!

**OVERVIEW:** A number of you emailed me after receiving my last M.A.R. in February. The consensus was that my Market Activity Report was downright demoralizing and depressing to read. (*I wrote about how federal spending is going to bankrupt this nation, because instead of saving our way out of this mess, Obama & his cohorts are bound & determined to somehow spend our way out of debt.*) A feat no one in history has been able to accomplish. But, let's give him and the fat heads in Congress some credit. After all, it isn't their money they're spending... it's ours and your grandchildren's!!! (And no I won't apologize for depressing you - *with the truth.*)

Okay, bring me back to Wapak's version of, *As the World Turns*. We really are in better shape than a lot of other places. Sure, things could get worse and they probably will before they get better, but they aren't quite as bad as they are in other regions of the country, or the state. House prices are still in decline in this area and about everywhere else as far as that goes. Prices will continue to fall as long as you have foreclosures and bank repossessions coming on the market and selling for 30-50% less. You'll know when the economy bottoms out, we won't have any foreclosures.

Since the 1<sup>st</sup> of the year up until the end of April, there were over 85 sales in Wapak, Cridersville, Buckland and the immediate Townships within 8 miles of Wapak. **25 of those sales (or 30%) were Sheriff sales**, bank repossessions or short sales. These sales aren't always the good buy they appear to be. There have been several situations where buyers not only bought a house, but a lien with the property that greatly increased the cost of the property. Others have complained about ending up with a lot more expense than what they initially figured, primarily because they couldn't get access before the Sheriff sale to preview the property. The old adage, caveat emptor holds true, "let the buyer beware." What's even worse is although some banks are now allowing houses to be sold for less, an increasing number are still holding the sellers liable for the shortage if it sells for less than what was owed. All this tax money squandered on bail-outs for the big boys, yet they continue to squeeze the little guy,..

**BUYER INDUCEMENTS:** If you are buying ~ there ***hasn't been a better time to make a house purchase, if*** you can get a loan. Historic low interest rates (now under 5% fixed – 30 years). Up to a \$8,000 tax rebate for 1<sup>st</sup> time homebuyers (takes 21 days to get back from IRS, all you need to do is file an amended return on your 2008 taxes. See our web site for more information, Q&A.) Now two local banks (SFCU and Minster) are offering \$5,000 down payment grants from the Welcome Home Program sponsored by the Federal Home Loan Bank of Cincinnati.

If I were in my 20's or 30's I'd sure be getting serious about locking in on a 30 year loan at a fixed rate of 4.75% because I don't think we'll see these single digit rates much longer. As a matter of fact, I'm making a prediction right here and now stating that I think rates will rapidly jump into the double digits by the end of the year or not any later than early next year. It's apparent with the magnitude of our federal debt and with foreigners backing out of buying stocks, bonds, treasuries which have been subsidizing our debt, it won't be long before Uncle Sam comes looking for other sources of funds to service our growing debt obligations. I certainly think the savers among us; will soon be getting a much higher rate of return on their CD's and saving accounts as Uncle Sam tries to tap that source of funds. Yet, as I indicated above, I think inflation from all the money the Fed's are printing will soon catch up with all of us, savers and non-savers alike.

I'm still a firm believer that real estate is a better than average hedge in this economy. Unlike watching your retirement and stocks go up in smoke, a house still provides a roof over your head! It's about the only investment vehicle a young couple can ever hope to end up with something tangible and worth something. Sure real estate like any investment is cyclic and even though we're in one of the deepest down cycles anyone has seen, with these historically low rates and incentives what better time than now to make a move?

**SHORTAGE OF HOUSES:** Although it's relatively early yet in the buying season there doesn't appear to be as many houses coming on the market. I guess it's understandable to a certain extent, if you are a seller and wanted to net "top dollar" this probably isn't the best market for you to sell. Or is it? Be honest with yourself, IF rates head back into the double digits are house prices going to bounce back or will they stagnate because of higher borrowing costs? I think this year will prove to be one of the best years to make a move, primarily because of the lower rates. Once money becomes terribly expensive to borrow, people won't want to move. They'll be forced to stay put.

Sit down and have a serious talk with yourself. Could you benefit from buying a bigger house to accommodate those growing spurts your family is growing through? Might be a good time to consider buying because rates are low and it isn't going to cost you that much more to move up. (Plus you can figure if it's a newer house it'll probably heat & cool cheaper, saving you money.)

Or maybe you're nearing retirement and thinking of getting away from all that extra work and would appreciate a chance to down scale into something more manageable. Your money can't buy you any more than right now! Start getting out there and look around at what is available.

Maybe you've owned several homes all ready and thinking about building that dream home. If you've saved up until now, this might be the time to explore your options and talk to some builders. Otherwise your savings could be eaten up with the projected inflation that can't be too far off.

I don't think in the near future we'll have as many opportunities as we do right now, but like any opportunity it too will pass. Let's not be guilty of looking over our shoulder years from now and wished we'd made that move when the market offered low rates and low home prices.

**1<sup>st</sup> 3 months of 2009 sales were below average compared to previous years:** Quick comparison of house & commercial sales in the Wapak area. GREEN BOX INDICATES RECORD SALES MONTH OVER PAST 9 YEARS. (All figures were taken from Court House transfers & include private sales between owners 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	17	15	19	21	27	12	111	17	19	13	15	12	17	204
'01	9	14	29	9	34	23	118	27	20	16	17	10	9	217
'02	9	13	27	29	13	22	113	22	23	25	43	15	27	270
'03	21	25	16	11	26	33	132	42	44	41	29	16	25	329
'04	11	22	33	29	26	30	151	32	19	28	24	22	28	304
'05	19	22	32	32	19	23	147	24	28	30	21	24	27	301
'06	20	16	26	15	25	28	130	34	32	35	36	37	18	322
'07	33	21	23	29	28	21	155	29	22	21	28	28	19	302
'08	18	15	19	25	19	20	116	26	33	25	29	17	19	265
AVG	15	16	24	21	24	23	123	27	24	26	24	19	18	261
'09	12	11	8	28										

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).

**WANT TO KNOW WHAT THINGS ARE SELLING FOR?** For ALL SALES conducted in 2008 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>