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This report talks about what is really going on in the Storm Lake and Alta area real estate market right now. I know you will find this information helpful.

There is so much competing news about the industry that I wanted you to have the real facts at your fingertips. The report focuses on our area because real estate is local, national and state issues can and do influence our market but they tend to have a delayed ripple effect especially in our rural area. I hope you find the information helpful and if I can answer any questions pertaining to local real estate concerns please call me or stop by the office.

### **Storm Lake and Alta Area Local Real Estate Market Conditions**

Storm Lake MLS (Multiple Listing Service) comparison for May 2009 and May 2010

<b>May 2009 Total Sold</b>	<b>May 2010 Total Sold</b>	<b>Percent Change</b>	<b>2009 Sold YTD</b>	<b>2010 Sold YTD</b>	<b>Percent Change</b>
18	24	+33.3%	69	87	+26.1%

These numbers are very positive and encouraging, they show the total number of properties sold up by 33.3% over last year. Part of the increase is due to the tax incentive.

June numbers are not in but like May, we are seeing some reductions in 2 areas, average and median sales price. May's Average Sales Price and Median Sales Price are both down when comparing 2009 to 2010.

<b>May 2009 Av Sales Price</b>	<b>May 2010 Av Sales Price</b>	<b>May 2009 Median Sales Price</b>	<b>May 2010 Med Sales Price</b>
\$86,393	\$77,300	\$71,000	\$68,000

The average sales price for properties has actually gone down by 10.5% over the last year and the median sale price has fallen, but by only 4.2%.

When looking at the 2 biggest sales areas within this market (Storm Lake and Alta), Alta has seen the largest drop in Average sales price.

<b>2009 the Av Sales Price</b>	<b>Same Time Period 2010 Av Sales Price</b>
\$198,500	\$158,250

That is a difference of over 20% (20.3%) change.

Is this drop in the Alta market significant, only time will tell? In Alta, we are dealing with a relatively low number of properties, May 2010 saw a higher number of properties come on the market for sale, receive accepted offers ( new pending) and close (new solds) over 2009. I personally had very good results in May with a number of properties closing that had been on the market a very short time - two were listed for 1 day and one listed for 13 days. None of these properties listed for less than what they should have brought in the current market, however several of these Buyers were working on getting the tax incentive. I believe they would have bought without the incentive but the incentive may have pushed their timetable up.

We have 2 local government programs that are very popular: USDA Direct and USDA Guaranteed home loans. There are a number of state and federal programs that can help buyers, but the USDA and a set of state programs under Iowa Finance Authority (IFA) were essentially the last ones that could help a buyer purchase without a down payment, receive a low interest rate and a fixed term loan. The rules have changed for the USDA programs and many of our local banks do not work with the IFA programs. These changes have reduced the sources of funds and the mortgage products available for low-income homebuyers, homebuyers with less than stellar credit, and first time homebuyers.

The Construction/Building industry is vital to our national and local economy. Home purchases are also a strong driving force in our local and national economy. Our area is stable, but it has been influenced by the state and national economic troubles. We are seeing foreclosures and short sales increase, and I believe we will soon see interest rates come up at least some.

While short sales and foreclosures are never a good thing for a real estate market or a city, because they have the potential to pull down values, they do provide a source of property purchases for investors and for those who are willing and able to do some work to improve a property. Short sales are notoriously difficult to negotiate and close and the most important things needed to buy one are PATIENCE and a REALTOR® who understands the process and can follow the convoluted, requests from the lender. We have a number of local entrepreneurs who purchase these properties; many are in very poor condition and need extensive work.

When comparing our local market to the state average we are doing really well and the same is true for the national real estate market.

The most important number in the statewide real estate statistics is the number of properties that received accepted offers in May (pending listings). I focus on this number because it is beginning to show the impact the tax incentive had on the market. Many buyers who negotiated to an accepted offer in May, especially after May 20th, would not be able to get the sale closed by the initial closing deadline of June 30th so they could qualify for the tax incentive.

State wide in May 2010 there were 2,104 properties noted as pending in May and in May 2009, there were 3,175 new pending properties. That is a decline of over 30%, June will increase the clarity of this trend, and hopefully the number of new pending properties will begin to increase. By the end of the July market, an even clearer picture will emerge of the local market and should be about 80% free of the effects of the tax incentive program.

Real estate markets are cyclic, like the stock market. We have been up for a very long time our market is just going through a correction and corrections are normal and occur in every market.

When market corrections happen, it can still be a very good time to buy or sell a property. Interest rates are at historic lows, we have a good inventory of well-built, sensibly priced properties. In my opinion, the biggest factor that should be used to judge a buying or selling decision is interest rate. In the end, this is the single most important number affecting your bottom line on a property.

30 Year fixed rate mortgage for, \$100,000 mortgage, 5.5% interest compared to 6.5 and the same terms is

Total Interest paid at 6.5% is \$127,544.49	Principle and Interest monthly \$ 632.07 payment
Total Interest Paid at 5.5% is \$104,404.04	Principle and Interest monthly \$ 567.79 payment

Difference of	\$23,140.45	\$64.28
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**Can you afford to wait and risk interest rates increasing even 1%?**



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Information from the Iowa Realtor Association, Techmark and IAR State Activity Report