



Rural Housing Prices

Posted by [Stuart Staniford](#) on April 8, 2006 - 1:40am

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[IndyDoug](#) points us to a [Financial Times article](#) leaking the IMF's soon to be released conclusions.

The IMF estimates that oil prices explain half of the deterioration of the US current account deficit between 2002 and 2005. In that period, the deficit rose 2 percentage points, to a record 6.5 per cent of gross domestic product. Rodrigo Rato, IMF managing director, this week warned that "good economic performance rests on a shaky foundation, because of large and continuing global imbalances". The US current account deficit is forecast to increase again in 2006, Mr Rato said, partly because of the impact of high energy prices.

and

Mr Rato has called for a "multilateral" approach to resolve the global imbalances as he warned that the "risk is that global imbalances will be unwound in an abrupt and disorderly way". "If a disorderly adjustment does take place, it will be very costly and disruptive to the world economy," he said this week.

So I guess that gives a little more respectability to those expecting a financial meltdown as a result of peak oil. The IMF is worried too.

But for some people, the abrupt and disorderly unwinding of imbalances has already occurred:

I was very struck by this [personal account at itulip](#), which [GreyZone](#) pointed out.

I live in a rural area about an hour and 20 minutes north of a major U.S. city. I moved here in 2000, selling a home in the suburbs for a \$55,000 profit after living in it for three years. I trained horses for other people and was looking for a place to hang my own shingle rather than work out of other people's barns and pay to board my own horses there. Having once owned my own successful retail business, I ran the numbers and concluded I could stay home, board and train horses and earn more than I could by working off the farm. My husband could continue to work in his present job and commute.

I paid \$140,000 for a fixer-upper house on 40 acres. The house needed work, but the land was everything I dreamed of. Pastures, meadow, woodland. Plenty of room to build the barn and arena, and long trails through the woods for my boards. I put \$45,000 down on the property and spent a year cleaning it up: building fencing lines, a new

indoor arena with attached horse barn, and so on. I paid for half that building with my own money and financed the other half with a home equity loan. To save money, I did a lot of the work myself, including installing the water and electric, building the stalls, swinging a hammer to build the barn and arena. Lots of sweat equity.

In no time at all I had horses here for both boarding and training. I was doing well. Better, in fact, than I had projected. Life was good. That was in 2002.

But in 2005, she needed to sell, and started making some needed repairs.

Then Katrina hit in 2005. Gasoline prices skyrocketed. Most of the people in the area commute to the city for work. The cost of gasoline made that commute much more expensive. When I moved here gasoline cost about \$1.20 a gallon. Recently I filled up at \$2.69. When I moved here, \$400 a month was my budget for gasoline. The same amount of fuel would cost me close to \$900 a month. Just to commute. Because of the added commuting cost, people are not buying property out this far anymore. Real estate sales slowed to near nothing.

Soon after, the house of cards really started to fall. One local builder went bankrupt, unable to sell over 20 homes he built in a development. Those 20 houses in foreclosure fed the buyer's market, driving prices of other homes for sale down farther. Then another builder went bankrupt, then another. In the past three months, six builders have filed in the area. The number of houses in foreclosure is staggering. They can be had for next to nothing. Banks are jumping through hoops trying to find people to buy them. The local newspapers all have classified ads reading "Builder's inventory Reduction Sale." Land prices started to fall. What had sold a few months ago for \$10,000 an acre is now sitting dead on the market at \$2,500 an acre.

That's the nastiest housing slowdown I ever heard of. If you were wondering how we managed to [get vehicle miles traveled down](#) a little bit after the hurricane, now you know. Did many Americans voluntarily carpool? Nope. Take the bus or the train or bike? Nope. Use their more efficient vehicle? Nope. Instead, the poorest and weakest parts of the economy took it in the shorts and stopped driving as far because they had no choice: they couldn't afford the gas.

And preparation didn't help a lot:

I thought I was smart. I have no credit card debt. Both vehicles are paid for. The debt I took on in the form of a home equity loan was taken not for toys, vacations or expensive cars, but to add value to my property. The only debt I currently have is from medical expenses. I never allowed the debt secured by my property become greater than 50% of what I thought the property might reasonably sell for, based on the information I had at the time. I had enough savings that I was able to carry the family for something like nine months without any income. All in all, I was in better shape than a lot of people are. Being a good country girl, I grew a fair portion of my own food and raised chickens so grocery bills were vastly smaller for me than for many people. I saw heating costs could grow to be a real threat to my family budget down the road so I installed a woodstove large enough to heat my entire home and burn wood from my property. I have not purchased propane in four years. When my friends were experiencing sticker shock on

propane, which for many people rose from \$300 to \$600 for 4-6 weeks of fuel, I could simply toss another free log on the fire.

The point of all this is that I had made wise choices at the time, worked hard to insulate my family from problems I saw coming down the road, and I am still getting hammered by the real estate market.

But it brings up a larger point. I know many of our readers either live in or have moved to rural areas because they feel they'll be more survivable post-peak. I've been concerned that rural areas will actually take the biggest hit from peak oil, because of their high gasoline dependence. This story seems to suggest that the combination of peak oil and housing bubble can be really bad for at least this one area.

So how's it going out there in the country? Is this lady's story an aberration? Or just part of a gathering trend?



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