Market Showing Signs of Recovery

DATA-DRIVEN REPORT FOR THE FIRST NINE MONTHS OF 2010:

As reported in the 2009 year-end newsletter, our local real estate market hit bottom at the end of last year. Since then, we have seen a steady climb in the number of sales across the board. Notably, single-family homes priced over $3 million have been particularly robust. Based on the first nine months, we have seen **more closed home sales** in the **over $3 million** segment this year **than 2008 and 2009 combined**. In fact, based on the inventory that is currently under contract, we may outperform 2007 year-end sales for homes over $3 million. **NOTE:** 2007 had the highest number of homes sales over $3 million in Jackson Hole's history.

How will these high-end sales affect our market? For starters, the high-end homebuyers will help jumpstart the local construction industry. In turn, plumbers, electricians, landscapers, etc. will experience the positive impact. More jobs translate into more confidence in the local real estate market.

When looking at the different segments (homes, lots and condos), the locals' home and condo markets (under $1 million) are still soft. There are very few first-time buyers, which in turn makes it hard for existing property owners to sell their property and trade up (buy a larger condo/townhome or single-family home). The locals' market has also been the hardest hit with distressed properties. These two factors have contributed to values falling in a few segments of the market as much as 50% from the all-time high of 2007. Hopefully, with the reemergence of the upper-end market ($3million+) combined with the lowest interest rates since the depression, we will see more signs of recovery in the coming months and into 2011.

The surge of sales in the above $3 million market <u>does not</u> mean prices will soon increase. In fact, it could still take a few years before we start experiencing appreciation in our market. The simple fact is this: all segments of our market have seen values fall at least 30% since 2007. The difference is the high-end buyers have cash, or good borrowing power, and are taking advantage of these great values. **NOTE:** There are still many active listings priced above their current market value. The ones that are considered "a great deal with strong value" are the ones selling. As you will read below, we still have 3.5 years of overall inventory, based on current overall inventory versus the number of overall sold properties in 2010. The largest amount of inventory is currently in the residential vacant lot segment, where we have 7 years of inventory. Only when we have completely wiped out the distressed inventory in our valley, and supply meets demand on an annual basis, will we start to see appreciation again.

<u>Are distressed properties affecting our market?</u> The answer is somewhat, but overall they are not controlling our market as they are in some places. When looking at the overall number of active listings, only 6.4% are distressed (short sale, foreclosure, or bank owned) yet 15% of the <u>overall sales</u> to date were distressed at some point in 2010. When comparing distressed sales to other parts of the country though, our market is still very low in comparison. Other parts of the country are experiencing 50% or better of their overall sales are distressed.

Looking closer, we found 6.4% of active home listings are distressed; yet 12% of the sold homes were distressed at some point in 2010. For single-family vacant lots, only 3% of active listings are distressed, and only 8% of the sold lots were distressed at some point in 2010. For condo/townhomes, 11% of active listings are distressed, yet **22% of the sold condo/townhomes were distressed** at some point in 2010. Clearly, the distressed properties are affecting the condo/townhomes more than any other segment. **NOTE:** 69% of the distressed sales in 2010 sold for under $1 million; and 31% of the overall distressed sales sold for under $500,000.

As mentioned above, the hardest hit segment is the condo/townhomes. While we expect this to be the last segment to recover, the good news is this is the next best place to invest your money (see below). To sign up for our weekly-distressed properties list call 888.301.2402 or email info@graham4jh.com.

Cash is still King: 50% of all the real estate transactions thus far in 2010 have included cash buyers who did not secure any financing. Why so many cash Buyers? Savvy Buyers knew their hard-earned cash could guarantee the Seller a closing without relying on the banks to loan them money. What savvy Seller wouldn't take a good, long look at an offer that does not include the wild card financing contingency? After all, cash offers close escrow quickly and easily, while offers requiring financing require 45+ days with several potential snags along the way. So naturally, Sellers covet cash offers. For distressed properties, a cash offer close to the target price will many times trump a higher-priced offer with a loan. The ability to close has become just as, if not more, important to banks as price. **NOTE:** Single-family home sales showed 42% were cash, vacant lots sales showed 72% were cash, and condo/townhome sales showed 46% were cash.

The following will compare the first 9 months of 2009 to the first 9 months of 2010:

The Overall Market experienced a big increase in **number of sales** and dollar volume, **up 55%** and 72% respectively, when compared to the first 9 months of 2009. The average and median sale prices also increased, up 9% and 13% respectively. The increase in the median sale price can be attributed directly to the huge increase in the number of sales above $2 million, up 138%. As we mentioned previously in this report, **the hot spot** so far this year is the single-family **homes sales above $3 million**, where number of sales is **up 160%** and dollar volume is up 116%.

Overall Market Under Contract, as of October 1st, 2010, is down 5% when compared to the same time in 2009. This is not alarming though, as lately many Realtors are not indicating via MLS that their listings are under contract and awaiting closing. They simply wait until the transaction closes escrow and then report the sale to the MLS. This allows the Realtor to continue showing the property with the hopes of getting a back-up offer, just in case the contract falls apart at the last minute because of a loan denial. The dollar volume of properties under contract is up 8%, the average price is up 14%, but the median price is down 7%.

Overall Inventory of Active Listings has flattened (only up 1%) and the dollar volume is actually down 8% compared to the first 9 months of 2009. The decrease in dollar volume pushed the **median asking price down 20%** to $1,095,000 and the average asking price down 9% to $2.31 million. This new level of inventory, while high (801 overall listings), is not alarming. Normally we see up to 900+ new listings any given year in Jackson Hole. The difference is, the average number of sales in the past decade, at the end of September, was 533 versus 233 this year. **NOTE:** When you compare current inventory levels to the number of sold vacant land, the inventory is saturated. Homes have 2.8 years of inventory; condos have 2.6 years of inventory; vacant residential land has 7 years of inventory.

The Upper-End of the Market ($2 million plus) also experienced a huge increase in the number of **sales, up 138%.** Fifteen of the 62 upper-end sales that closed were for over $5 million (up 88%) and 1 sold for over $10 million. Note**:** While the number of $2 million plus transactions accounted for only 17% of the total number of transactions, they accounted for 64% of the overall dollar volume for the first 9 months of 2010.

Single-Family Home sales showed signs of a recovery, as inventory decreased slightly. The **number of sales was up 51%** and **dollar volume was up 98%.** Following suit, the **average and median sale prices** are also **up, 30% and 35% respectively**, when compared to the first 9 months of 2009. The increase in the average and median sale price can be attributed directly to the number of sales above $1 million, up 77%. **The hot spot** for single-family home sales was the **above $3 million segment (up 160%)** where the first nine months of 2010 has already outperformed year-end sales for 2008 and 2009 combined.

Hot spot for home sales: Melody Ranch and 3 Creek Ranch. Melody Ranch has seen 11 home sales in the first 9 months of 2010 (average sale price was $971,000), with 1 more currently under contract. 3 Creek Ranch has seen 6 home sales in the first 9 months of 2010 (average sale price was $2.49 million), with 3 more currently under contract.

Looking ahead, the single-family homes under contract continue to show signs of a recovery. The number of **homes under contract is up 33%** and the **dollar volume is up 100%.** The median asking price for homes under contract follows suit, up 52% and the **median asking price** skyrocketed, 204% to **$2,900,000.** This spike in the median listing price under contract can be directly attributed to 65% of them being listed for over $2.5 million. Here again, the above $3 million segment is the hot spot.

Meanwhile, **available inventory** of homes for sale dropped slightly, **down 2%**, the average asking price is down 12% to $2.7 million and the median asking price is down 9% to $1,495,000. Out of the 327 homes currently for sale, **16 are under $500,000** (up 220%) and 116 are being offered for under $1 million. That is a 40% increase for the under $1 million segment, over the third quarter of 2009. The least expensive home, as of October 1st, is being offered at $355,000 (a bank owned property). This buys you a 1,638 square foot 3 bedroom, 3 bath home built in 1992 on a .115-acre lot in the Town of Jackson.

Vacant Residential Land sales are improving a bit, even though inventory levels increased when compared to the first 9 months of 2009. The **number of sales was up 28%** and the dollar volume was up 17%. The average sale price remained unchanged, while the median sale price was down 4%. The decrease in the median sale price can be attributed directly to the lack of sales above $1 million, down 15%. The number of **vacant land sales over $5 million** has been hit the hardest, **with no recorded sales in 2009 and none so far in 2010**.

Looking ahead, the vacant residential lots under contract are up 40% when compared to the same period in 2009, but the dollar volume is down 22%. Again, this is due to the lack of listings under contract for over $1 million.

Meanwhile, available inventory of lots for sale is up 13%, the average asking price increased 7% yet the median asking price decreased 16%. **Note:** Available inventory for vacant residential land is at a nine-year high. Ironically, we are not seeing big discounts in vacant land sales, and very little distress. This is due in part to the type of vacant land buyers over the last six years. Unlike the late 1990s, where most land purchases where made strictly for speculation, the buyers in the last six years have purchased for future development of their second home or retirement home. Looking ahead to 2011 and beyond, this segment should be even stronger, as 72% of all land purchases this year were cash.

Condo/Townhomes sales continue to rebound, as inventory levels continue to decrease. The **number of sales was up 100%**, the average sale price increased 13%, and the median sale price increased 18%, when compared to the first 9 months of 2009. The increase in the median sale price can be attributed directly to the increase in sales above $1 million dollars, up 129%. This <u>does not</u> mean all condo/townhomes have found the bottom in terms of price. **The resort market and the first-time homebuyer segments are still struggling.** The resort markets can pin the blame directly on borrowing challenges. Based on several interviews with local and national mortgage bankers and brokers, **there is no secondary market for investment loans**. This means the only way you can secure a loan is if the banker holds the loan in-house, requiring a hefty down payment (25%+) with much higher interest rates. The first-time segment faces a different set of obstacles. While there are plenty of loan programs with down payments of 10% or less, and interest rates hovering around 4%, the job market is still very soft and therefore confidence is low. As mentioned above, the return of the upper-end market will hopefully put locals back to work and confidence will once again return to this segment.

Looking ahead, the number of condo/townhomes under contract has slowed when compared to the first 9 months of 2009, down 22%. **Note:** Of the condos under contract, 42% are Terra II condos, which have been under contract for 18 months.

Meanwhile, **available inventory of condo/townhomes** for sale was down 2%, with **49% listed below $500,000.** The increase of listings below $500,000 is pulling down the average and median list prices, down 17% and 23% respectively. **Note:** Out of 196 condo/townhomes currently for sale, 96 are being offered for under $500,000, an increase of 45% over 2009. The decline in asking prices continues to signal **a very strong Buyer's market for condo/towhhomes**.

The Next Best Place to Invest is entry-level condo/townhomes under $500,000. For the following reasons, we recommend buying rental property in the Town of Jackson:

- Teton County is moving toward halting all new dense developments outside the Town of Jackson, leaving the Town of Jackson as the only place left to handle future growth.
- Inventory levels are at a 9-year high.

• Prices are down as much as 50% from the all-time high of 2007, yet rental rates are only down 10-15%.
• Interest rates are at a 40-year low.
• Many working locals cannot secure a loan to buy, so they will continue to rent.
• The highest percentage of distressed properties is in this segment. While a few are losing their homes through foreclosure, they still want to live in Jackson and will have to rent.
• The lack of investment loans will put a halt on new multi-family projects for 3-5 years.
• First-time condo/townhome buyers will return. When they do return, occupancy and rental rates will increase.
• The increase in rental inventory over the last two years is due mainly to owners who were not able to sell their property and therefore put them into the rental pool to generate income. This inventory will evaporate once the market returns.

Note: Real Estate always has been, and always will be, one of the most effective wealth-producing assets. Between the tax advantages, and its ability to hedge against inflation, real estate is one of the top tools used to generate lasting wealth. Hands down, this is one of the best times in history to be investing in real estate! Your dollar stretches further than ever when it comes to shopping for, and selecting, properties today. Those who accumulate investment properties now should be in a very nice position over the next decade. **Bottom line; real estate is the equal-opportunity wealth builder.** Whether you are a seasoned, savvy investor or a relatively newcomer to real estate investing, there are tremendous opportunities awaiting wise investors who take advantage of today's low property prices. For a more in-depth analysis of "The Next Best Place to Invest" be sure and read our upcoming year-end report.

Jackson Hole Real Estate Associates LLC is the largest locally owned and operated Real Estate Company in the region. Our team is comprised of 90+ agents, appraisers and support staff, as well as a powerful database that leverages information for our clients who like to keep track of every single real estate transaction in Jackson Hole on a daily basis. Combine all this with the worldwide reach of Christie's Great Estates, the simple fact remains: **"We Know the Market Better than Anyone".**

It is becoming very clear that Buyers and sellers demand to stay informed of market conditions. We offer several services that will keep your finger on the pulse of our local real estate market, from daily email updates, a free market analysis of your property, to quarterly price updates on your Jackson Hole property. <u>We also offer a weekly foreclosure update that you can subscribe to via email</u>. Please contact us to learn more about the programs and services we can provide.

Today, the **Christie's Great Estates global network** of affiliated brokers includes nearly 36,000 sales associates operating from 900 offices in more than 40 countries. The network's combined **annual sales topped $128 billion**. The combined global networks of Christie's and Christie's Great Estates, both market leaders in the sale of luxury goods, create a world-class showcase for distinguished real estate. No other network offers this level of international visibility to proven Buyers of high-value property.

Whether you are pricing your property to sell in this competitive market, or deciding when it is the right time to buy; rest assured that when you are our client, you will have current market statistics, an impeccable level of service and personal attention that will give you the upper hand. For a free comparative market analysis please email info@graham4jh.com.

The Hole Report is published semi-annually, with additional email updates for the first and third quarters. While others attempt to report on our market with MLS statistics only (MLS historically tracks 65-70% of the market) we track <u>every single transaction</u> in Teton County. This data-driven report is the most accurate and trusted real estate news source in Teton County, Wyoming. If you would like to sign up for these quarterly email updates, or need more detailed information about our market, feel free to either call or email us at 888-301-2402 or info@graham4jh.com.

Sincerely,

Bob Graham, Karen Terra, Matt Faupel, Julie Faupel

GRAHAM4
TERRA+FAUPEL+FAUPEL

JACKSON HOLE
REAL ESTATE
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Exclusive Affiliate of
CHRISTIE'S GREAT ESTATES

*This third-quarter report is not posted on The Hole Report website. Instead, it is provided exclusively via email, as a service to all our valued customers and clients here at Jackson Hole Real Estate Associates LLC. The data is collected and analyzed quarterly to help you keep up with trends in our market.

*While other local Real Estate Brokerages attempt to report on the local real estate market, Jackson Hole Real Estate Associates LLC is the only company to track every single transaction. Therefore, if you want the most accurate information to help guide you through your next real estate transaction, call us today. **"We are the Experts".**

*All statistics are supplied by sources that have been deemed reliable but are not guaranteed.

*All statistics quoted in this newsletter are based on sales in 2009 compared to sales in 2010.

*Median sale price is the cost of a property that has an equal number of sales above and below it on the price scale.

*Average sale price is the total combined dollar volume divided by the number of sales.

*The word "Overall" in this newsletter refers to all sales in Teton County combined (homes, lots, condos, commercial and ranch).

*The term "Market Value" means; the value of a property in terms of what it can be sold for on the open market; current value.