



Properties Priced Under \$500K Disappearing

DATA-DRIVEN REPORT FOR THE FIRST NINE MONTHS OF 2011:

Affordably priced inventory is rapidly disappearing, at least in the single-family and condo/townhome segments of our market. Just three years ago, the idea of purchasing a single-family home in Jackson Hole for under \$500,000, or a condo/townhome for under \$300,000, was just a fleeting dream. Today, not only can this dream become a reality, but you also have multiple choices, and loan interest rates are at historic lows. **Do not expect this to last much longer, though.** Based on the current level of sales activity versus active listings, the opportunity to purchase an affordable home or condo/townhome in these price ranges will soon disappear.

In the first nine months of 2011, there were 22 single-family homes that closed for under \$500,000. In the same time period, there were 31 condo/townhomes that closed for under \$300,000. Also worth noting: at the time of this report, there are 6 homes and 7 condo/townhomes currently under contract in these price ranges. Then consider the current available inventory in these price ranges (only 23 homes and 32 condo/townhomes), and it becomes very clear the **demand is outpacing supply**. If demand for these properties in these price ranges continues at the 2011 level, we anticipate the supply to run out by the end of 2012. This will, of course, depend on how much more distressed inventory hits the market in the coming months. Based on current trends however, distressed properties may not play as big a role as they have in the last two years (read on for details...).

This demand is great news, as the under \$500,000 segment of our market is where 52% of distressed sales were so far in 2011, and where 58% of the current distressed listings still reside. **Once Jackson Hole is free of distressed listings we will start to see appreciation return to our market.**

Where are these affordable-minded Buyers coming from? Of the 82 sales for under \$500,000 so far this year, 56 of these buyers (or 68%) were local residents. NOTE: Of the 82 sales, 35 of the properties (or 43%) were purchased with all cash and no financing.

Distressed Properties: While the distressed properties are still controlling market values, we are seeing not only a decrease in **active distressed listings (down 19%)**, but also a shift in the type of distressed properties being sold. Up until last spring, short sales were dominating the distressed listing market. *"A **short sale** is when the proceeds from selling the property will fall short of the balance of debts secured by mortgage liens, and the property owner cannot afford to repay the liens' full amounts, whereby the lien holders agree to release their lien on the real estate and accept less than the amount owed on the debt."* Today, we are seeing more bank-owned listings, and very few new short sales. We track the distressed activity on a weekly basis, and this past week's number of **active foreclosures** was the **smallest it has been in over two years**, with only five on the list as of October 21, 2011. In the first nine months of 2011, the overall number of **distressed properties** (short sale, foreclosure, and/or bank owned) **accounted for 21% of the overall sales**. That is a 40% increase in distressed sales when compared to the first nine months of 2010.

Looking closer, we found **5% of all active listings are distressed**; yet 21% of the overall sales were distressed at some point in 2011. Why such a disparity between the overall distressed listings and the overall distressed sales? It all boils down to perception. While many of the sellers in 2011 have aggressively priced their listing to compete with the distressed inventory, many buyers simply ignore these non-distressed listings until they have reviewed all distressed inventory in their price range. As mentioned above though, distressed properties are decreasing. Hopefully this pattern will continue, so buyers will again focus on some well-priced non-distressed inventory. NOTE: 79% of the 63 distressed sales in 2011 sold for under \$1 million, with 49% of the 63 sales closing for under \$500,000.

As mentioned above, the distressed properties are still controlling our market. Realistically, the next 12 months could bring further discounts in certain segments of the market. The upcoming wave of bank-owned properties (REO's) will certainly create a challenge for some sellers because they must compete with the aggressive pricing of these bank-owned properties. National banks and mortgage company **REO listings** in Jackson Hole have historically **hit the market at 20% to 30% below current market values**. Banks are not in the business of owning and managing real estate. So, once these properties have weathered the foreclosure process and the banks receive clear title, banks want to sell them quickly and write off any losses.

To sign up for our weekly-distressed properties list, and take advantage of some great upcoming REO properties, call 888-301.2402 or email: info@graham4jh.com.

Cash is still King: 52% of all the real estate transactions thus far in 2011 have been 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 banks to loan buyers money. What savvy Seller wouldn't take a good, long look at an offer that does not include the wild card of a financing contingency? After all, cash deals 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 sellers as price. **NOTE:** 45% of single-family home sales were cash, **87% of vacant lot sales were cash**, and 51% of condo/townhome sales were cash. Also worth noting is that 58% of all cash transactions were for properties priced under \$1 million.

The following will compare the first 9 months of 2010 to the first 9 months of 2011:

The Overall Market continues to improve with an increase in **number of sales** and dollar volume, **up 25%** and 8% respectively, when compared to the first 9 months of 2010. The average and median sale prices on the other hand have decreased, down 14% and 18% respectively. The decrease in the median sale price can be attributed directly to the huge increase in the number of sales under \$1 million, up 55%. **The hot spot** so far this year is the single-family **homes sales below \$1 million**, where the number of sales **increased 67%**.

Overall Market Under Contract, as of October 1st, 2011, **increased 10%** when compared to the same time in 2010. In contrast the dollar volume, and the average and median list prices decreased 16%, 23% and 61% respectively. This drastic decrease in the median list price under contract can again be directly attributed to the price point of the overall listings under contract, where 73% are listed for under \$1 million. **NOTE:** 45% of the properties under contract are listed for under \$500,000.

Overall Inventory of Active Listings continues to decrease (**down 8%**), while the dollar volume only decreased 2% compared to the first 9 months of 2010. Meanwhile, the **average asking price increased 6%** to \$2,458,106 and the median asking price was flat at \$1,100,000. **NOTE:** This is the third quarter in a row where the inventory level has decreased, a welcome sign that our market is slowly improving. When focusing on the overall distressed listings, where the percentage decreased from 6% to 5%, we are again encouraged that our market is slowly improving.

The Upper-End of the Market (\$2 million plus) experienced a substantial decrease in the number of **sales, down 34%**, when compared to the first nine months of 2010. Thirteen of the 41 upper-end sales closed for over \$5 million (down 13%), and 3 sold for over \$10 million. **Note:** While the number of \$2 million plus transactions accounted for only 14% of the total number of transactions, they accounted for 55% of the overall dollar volume for the first 9 months of 2011.

Single-Family Home sales continue to show signs of a recovery, as inventory levels continue to decrease. The **number of sales was up 20%** while inventory levels decreased 5% when compared to the first nine months of 2010. Meanwhile, the **average and median sale prices decreased, 26% and 30% respectively**. The decrease in the average and median sale price can be attributed directly to the number of sales under \$1 million, up 67%.

The hot spot for single-family home sales **was under \$500,000** where 22 sales occurred, **up 215%** when compared to the first nine months of 2010. **NOTE:** With 23 currently listed, and 6 homes under contract, (for

under \$500,000), we anticipate the opportunity to purchase a home in this price range will disappear by the end of 2012. Of the sales under \$500,000, **91% were either in the Town of Jackson or South of Town.**

Hot areas for overall home sales: The **Town of Jackson** came in #2 with 19% of the sales, and **South of Jackson** came in #1 with 33% of the sales. The #1 subdivision South of Town was Rafter J, where 11 homes have sold so far in 2011 and two more are under contract.

Looking ahead, the single-family homes under contract continue to reinforce the recovery in this segment of the market, with **35% more homes under contract** as of October 1, 2011, when compared to the same day in 2010. The dollar volume, and the average and median asking prices for homes under contract reflect the same trend as the closed sales in 2011, down 20%, 40% and 76% respectively. This drastic decrease in the median listing price under contract can be directly attributed to 67% being listed for under \$1 million. The hot spot under contract is the \$500,000 to \$1 million segment, where 44% of the properties are listed.

Available inventory of homes for sale continues to drop, **down 5%.** When looking at the average and median asking price, we are not seeing a big decrease like the homes already sold, as the average listing price is only down 5% and the median listing price stayed the same when compared to October 1, 2010. Out of the 311 homes currently for sale, **23 are listed for under \$500,000** (up 215%) and a total of 109 are being offered for under \$1 million. That is a 6% decrease in inventory for the under \$1 million segment, reinforcing our prediction that single-family **homes sales below \$1 million**, where number of sales **increased 67%**, are the **hot spot** so far this year. The least expensive home, as of October 1st, is being offered at \$328,500. This buys you a 1,596 square foot two-bedroom, two-bath home built in 1976 on a 0.5-acre lot at Hoback Junction.

New homes under construction are on the rise. While the number of new homes currently under construction is nowhere close to the heady days of 2006-07, the numbers are increasing. The majority are under construction as second homes for non-residents, and are being built in the resort zoned areas of the valley. The most activity is in 3 Creek Ranch where 12 homes are under construction and 5 more are currently under the review by the architectural control committee.

Vacant Residential Land sales are slowly improving, as inventory levels are starting to decrease when compared to the first 9 months of 2010. The **number of sales increased 19%** and the **dollar volume increased 66%.** The average sale price increased 25%, and the median sale price increased 11%. The increase in the median sale price can be attributed directly to the increase of sales above \$1 million, up 27%. Even the vacant land sales over \$5 million are starting to see activity again, with two recorded sales so far in 2011.

Looking ahead, the number of vacant residential lots under contract has decreased 57% when compared to the same period in 2010, yet the dollar volume has increased 15%. This is due to one of the listings under contract being listed for over \$5 million.

Available inventory of lots for sale decreased 6%, and the median asking price decreased 13%. Note: Available inventory for vacant residential land is **at an eight-year high.** Ironically, we are not seeing many big discounts in vacant land pricing, and very little distress. This is due, in part, to the type of vacant land buyers over the last six years. Unlike the late 1990's when most land purchases were made, with financing, strictly for speculation, the buyers in the last six years have purchased vacant lots, with cash, and plan to build a vacation/retirement home. Looking ahead to 2012 and beyond, this segment should gain momentum. NOTE: 87% of all land purchases made this year were with cash.

Condo/Townhomes number of sales continues to increase, as inventory levels continue to decrease. While the **number of sales increased 32%**, the average sale price decreased 26%, and the median sale price decreased 20%, when compared to the first 9 months of 2010. The decrease in the median sale price can be attributed directly to the increase in the number of sales below \$300,000.

The hot spot for condo/townhome sales **was under \$300,000** where 31 sales occurred, **up 107%** when compared to the first nine months of 2010. NOTE: With 32 currently listed, and 7 under contract (for under \$300,000), we anticipate the opportunity to purchase a condo/townhome in this price range will vanish by the end of 2012. Of the sales under \$300,000, **58% were in the Town of Jackson** and 29% in Teton Village.

The hot spot for **overall** condo/townhomes sales: Teton Village came in #2 with 37% of the sales, and the **Town of Jackson** came in #1 with 47% of the sales.

Looking ahead, the number of condo/townhomes under contract has slowed when compared to the first 9 months of 2010, down 6% to 29. Note: Of the condos under contract **69% are listed for under \$500,000**, further reinforcing where the demand is, and shows the dwindling supply of inventory in this price range.

Available inventory of condo/townhomes for sale was **down 17%**, with 52% listed below \$500,000. The increase of listings below \$500,000 continues to pull down the average and median list prices, down 10% and 6% respectively. **Note:** Out of 163 condo/townhomes currently for sale, 125 are being offered for under \$1,000,000, and 84 are being offered for under \$500,000. The continued decline in asking prices reinforces **we are still in a Buyer's market for condo/townhomes**.

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**, not to mention that you can secure some of the lowest interest rates in history! Today, your dollar stretches further than ever when it comes to shopping for, and selecting, properties. 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.

Jackson Hole Real Estate Associates LLC is the **largest locally owned and operated Real Estate Company** in the region. Our team is comprised of 95+ agents, appraisers and support staff, as well as, a powerful database that leverages information for our clients, and we track daily every single real estate transaction in Jackson Hole. Combine all this with the **worldwide reach of Christie's International Real Estate**, the simple fact remains: **We Know the Market Better than Anyone**.

It is 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, weekly distressed properties list, a free market analysis of your property, to quarterly price updates on your Jackson Hole property. Please contact us to learn more about the programs and services we can provide. Be sure and also check out our personal website www.graham4jh.com for the latest listings and news about our local market.

Jackson Hole Real Estate Associates is named Global Affiliate of the Year! We are proud to announce that Jackson Hole Real Estate Associates was named Affiliate of the Year for small market, and ultimately named **Global Affiliate of the Year by Christie's International Real Estate**. We couldn't be more honored to accept these awards and truly see the efforts of our hard work pay off. Please see the attached letter from Christie's CEO, Neil Palmer, explaining the significance of these awards. You will read why this honor makes us the best company to represent you in your next real estate transaction.

Today the **Christie's International Real Estate 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 International Real Estate, 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.

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 every single transaction 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 Graham4 at info@graham4jh.com and/or 888.301.2402.

Whether you are pricing your property to sell in this competitive market, or deciding when the right time to buy is; 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.

We hope this report has given you a snapshot of market trends and, as always, we would be glad to discuss them further with you. If you plan to list your property this winter, would like a more detailed analysis of specific areas, back issues of **THE HOLE REPORT**, or a professional Realtor to represent you in your next real estate transaction, please call or email one of the numbers below or write to P.O. Box 2336, Jackson, WY 83001, Attn: Graham4.

Sincerely,



GRAHAM4
TERRA+FAUPEL+FAUPEL

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*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 2010 compared to sales in 2011.

*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.

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October 19, 2011

Mr. Neil Palmer
Chief Executive Officer
Christie's International Real Estate
8 King Street
St. James's, London
United Kingdom

Dear Jackson Enthusiast:

Jackson Hole Real Estate Associates was named the Christie's International Real Estate Affiliate of the Year for 2011 at a gala dinner in the historic Great Hall saleroom at Christie's International Headquarters in London. Your trusted property advisors in Jackson, your friends, and your neighbors were duly recognized worldwide last month for excellence in luxury real estate marketing and client service.

Affiliate of the Year is the highest honor bestowed to brokerages in the Christie's International Real Estate global network. Deserving semi-finalists this year hailed from Jupiter Island and Boca Raton, Florida; Lugano and Ticino, Switzerland; Stockholm, Sweden; Montreal, Canada; Atlanta, Georgia; and Washington, D.C.

Among the contenders for the award was the esteemed firm of Hilton & Hyland in Beverly Hills, California, which achieved the network's top sale of Candy Spelling's estate to Formula One heiress Petra Ecclestone for \$85 million this summer. Jeffrey Hyland was among the first to congratulate Jackson Hole Real Estate Associates on its well-deserved win.

Jackson Hole Real Estate Associates would be honored to support you in the purchase of your next important property or the careful sale of your distinguished home. As the only network wholly owned by the world's leading art business, our brokerages are uniquely positioned to answer any of your questions about consigning paintings, jewelry, and furnishings, to name just a few of the categories in which Christie's specializes.

I am confident that our exclusive affiliate in Jackson, Jackson Hole Real Estate Associates, and its brokers will provide you with the expert, trusted advice and customer service, together with the worldwide marketing excellence that distinguishes Christie's International Real Estate.

Kind regards,
Neil P. Palmer, MRICS
Chief Executive Officer