



DAVID VIEHMAN
DEVON VIEHMAN
DATA DRIVEN MARKET KNOWLEDGE

NUMBERS UP FOR THIRD QUARTER

DATA-DRIVEN REPORT FOR THE FIRST NINE MONTHS OF 2009:

The most asked question we have heard this year is: "Has the market bottomed out?" The second most asked question is: "how long before we get back to normal or back to what our property was worth in 2007?" The answers to these questions are not easy. History has shown that it takes at least three positive quarters in a row to signal a change, or to determine the true bottom. In the past, our newsletter has compared time periods year to year. In this report we will continue this comparison method, but we will also take a closer look at the last 10 quarters. This analysis will indicate when our market peaked and where it is today (see graphs below).

What will signal a turn in our market? We look for several indicators; an increase in the number of sales (closings); a decrease in the number of available properties (listings); and leveling off of property values (average and median listing and sale prices). NOTE: This is the second quarter to show signs of improvement. The next quarter however may not exceed the third-quarter number of sales, when we evaluate the number of properties currently under contract.

As we have all heard, the recession is over and the Federal Reserve is ready to raise its prime-lending rate at the first sign the economy is improving. If you are a Buyer and you are not out there looking, the truth is this: you will miss the proverbial boat. In my seventeen years in Jackson Hole, I have never seen such a powerful combination of low interest rates, great available inventory and sincerely motivated Sellers.

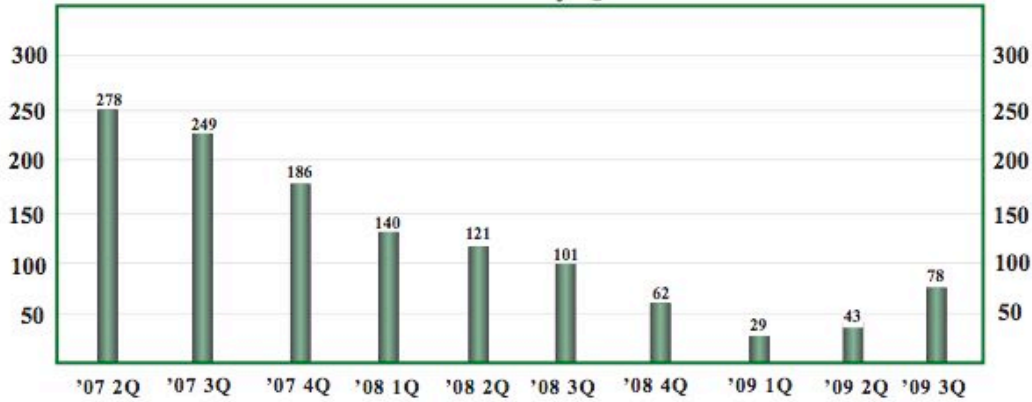
Clearing up some Myths. You may have heard that property values are back to 2004-05 levels. While this can be said for a few segments of our market, it should not be taken as a blanket statement. Some segments have lost little ground while other segments have seen a free fall. You may have also read predictions that our market is about to take off again. As mentioned above, historically it takes at least three positive quarters in a row to signal a change. Even if the fourth quarter of 2009 beats our expectations, we probably are not out of the woods yet.

The last time Jackson Hole experienced a downturn in the number of sales was 2001-02. As you will recall, the 911 tragedies coupled with the collapses of the Enron and Dot.com world fiercely rocked the economy. Back then, prices flattened out but lost little to no value. Unlike today, real estate shoppers could qualify for first-time home loans, vacant land, bridge, and investor loans. Even with that robust lending environment, it still took a full 24 months to see our market return to normal. Today, the lending environment is much different. Even with interest rates at historic lows, qualifying for a loan is much harder. Additionally, selling investment loans to the secondary market can be a real challenge. Investment loans today are considered high risk and will require excellent credit, a substantial equity position, and interest rates much higher than prime. These high-risk loans will certainly affect short-term rental condos, vacant land, and commercial properties from rebounding anytime soon.

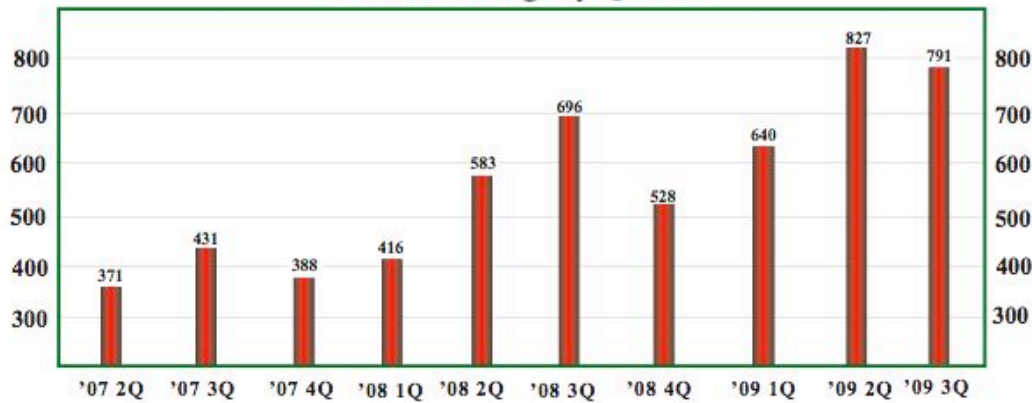
Cash is King right now: As mentioned above, lending guidelines have really tightened in the last year. When taking a close look at all sales transactions in 2009, we discovered an eye-opening fact: **50% of all Buyers in 2009 paid cash.** Why so many cash Buyers? Savvy Buyers knew their hard-earned cash could guarantee a 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 snags along the way. So naturally, Sellers covet cash offers. For foreclosed properties, a cash offer that hits 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. Another interesting fact is the price point of these cash Buyers. NOTE: Out of the 74 cash transactions, 40 were under \$1 million. Most of these transactions were for lower-end homes and condos. These investment-driven Buyers are taking advantage of the down market and then placing their purchase in the rental pool until the market returns.

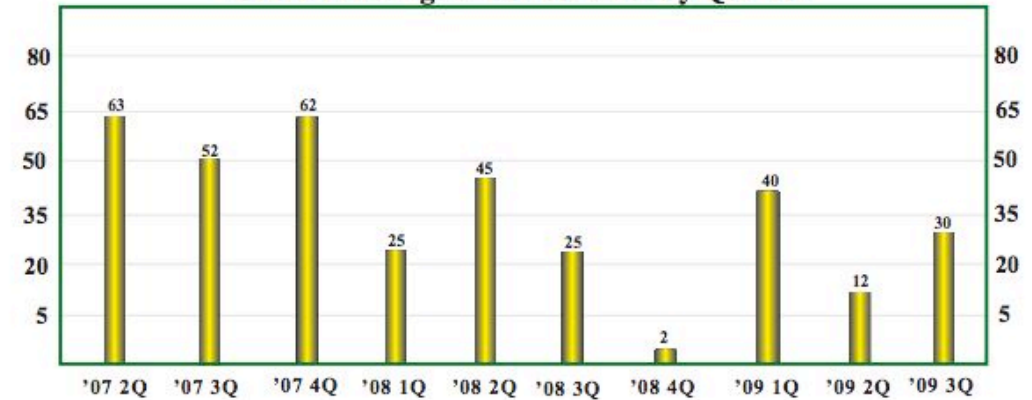
Overall Sales by Quarter



Overall Listings by Quarter



Overall Listings under contract by Quarter



If you are a Buyer, and you can qualify under today's lending guidelines, then get out there and start making offers. Find two or three properties you really like, and make multiple offers. With current interest rates at record lows, and the unprecedented number of motivated Sellers very high, this could be the opportunity of your lifetime. **Don't be afraid to make an offer**, even if it is low. Sellers are ready to make a deal and this is the ideal time to buy real estate in the valley. And, if you are a first-time home Buyer don't forget the \$8,000 tax credit being offered through November 30th of this year.

If you are an Investor, there couldn't be a better time to **buy with cash**. Why? With the big changes in lending guidelines, Sellers are more apt to accept a cash offer, if there are competing offers. When you consider many first-time home Buyers can't qualify for a loan (not enough down payment, debt-to-income ratio is too high, and/or their credit score is too low) and investment loans (commercial, vacant land or rental properties) are much harder to sell on the secondary market, you start to understand why **Sellers love cash offers**.

If you are a Seller and need to sell your property in 45 days; first determine what the last comparable sale price was and **list your property for 5% to 10% less**. Savvy Buyers are out there, but they are still looking for good deals that make sense. Consider this: if you can mentally accept losing some equity when selling, you will probably make it up on your next purchase. If you cannot mentally give up your equity then take your property off the market and wait out this market down turn. As with the stock market, unless you sell, you haven't lost any value. You simply wait for the market to return.

The following will compare the first 9 months of 2008 to the first 9 months of 2009:

The Overall Market experienced a huge drop in **number of sales** and dollar volume, **down 58%** and 63% respectively, when compared to the first 9 months of 2008. The average and median sale prices also dropped, down 11% and 33% respectively. The decrease in the median sale price can be attributed directly to the number of sales (or lack there of) above \$1 million, down 68%. The **hot spot** was the **Town of Jackson**, which attracted over 30% of the Buyers so far this year.

Overall Market Under Contract, as of October 1st, 2009, is down when compared to the same time in 2008. The number of properties under contract is down 17% and the dollar volume is down 63%. The **average and median prices** of properties under contract are also noticeably **down, 44% and 30%** respectively.

Overall Inventory of Active Listings has slowed (only up 14%) and the dollar volume is only up 1.5% compared to the first 9 months of 2008. The increased inventory pushed the **median asking price down 13%** to \$1,373,000 and the average asking price down 11% to \$2.54 million. This new level of inventory, while high (791 overall listings), is not alarming. Normally we see up to 900+ new listings any given year in Jackson Hole. **NOTE:** As of October 1, 2009 there was over **\$2 billion in available inventory**, shattering all previous records.

The Upper-end of the Market (\$2 million plus) also experienced a big drop in the number of **sales, down 68%**. Eight of the 26 upper-end sales that closed were for over \$5 million (down 33%) and 2 sold for over \$10 million (down 60%). Note: While the number of \$2 million plus transactions accounted for only 17% of the total number of transactions, they accounted for 45% of the overall dollar volume for the first 9 months of 2009.

Single-Family Home number of sales decreased, as inventory continued to increase. The **number of sales** and dollar volume are **down 42%** and 50% respectively. The average and median sale prices are reflecting this drop in sales, down 13% and 23% respectively, when compared to the first 9 months of 2008. The decrease in the median sale price can be attributed directly to the number of sales (or lack there of) above \$1 million, down 23%. Single-family homes under contract are a clear indication of our continued slow-down. The number of **homes under contract is down 58%** and the dollar volume is down 76%. The median asking price for homes under contract has dropped to 2005 levels, down 74% to

\$954,000. Meanwhile, **available inventory** of homes for sale continues to climb (**up 19%**), pushing the median asking price down 12% to \$1,650,000 and the average asking price down 9% to \$3.05 million. Out of the 333 homes currently for sale, 83 are being offered for under \$1 million. That is a 48% increase over the third quarter of 2008. The least expensive home, at this time, is being offered at \$399,000 (last year the least expensive was \$595,000). This buys you a 1,236 square foot home built in 1978 on a .23-acre lot in Hoback Junction.

Vacant Residential Land sales also decreased, as inventory continues to increase in the first 9 months of 2009. The **number of sales was down 50%** and the dollar volume was down 72%. The average and median sale price is also reflecting the downturn in this segment, down 44% and 45% respectively. The decrease in the median sale price can be contributed directly to the number of sales (or lack there of) above \$1 million, down 59%. The number of **vacant land sales over \$3 million** has been hit the hardest, **down 83%**, when compared to the first nine months of 2008. Vacant residential lots under contract are also providing a clear indication of our continued slowdown. While the number of lots under contract (a mere five) didn't change from 2008, the dollar volume is down 63%. The last time this small quantity of lots sold in the first 9 months of the year was back in 2003, after the last downturn in our market. Meanwhile, available inventory of lots for sale is only up 6% while the median and average asking prices decreased 15% and 17% respectively. **Note:** Available inventory for vacant residential land is at a six-year high.

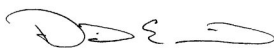
Condo/Townhomes sales continue to decrease, as inventory starts to level off. The **number of sales was down 74%**, the average sale price decreased 39%, and the **median sale price, dropped 56%**, when compared to the first 9 months of 2008. The decrease in the median sale price can be attributed directly to the lack of sales above \$1 million dollars, down 89%. Meanwhile, available inventory of condo/townhomes for sale was up 14%, matching the level of inventory back in October 2002. This inventory increase only affected the median asking price slightly, down 2% to \$684,000, and the average asking price was only down 6% to \$1,015,313. **Note:** Out of 200 condos currently for sale, 132 are being offered for under \$1 million dollars. The increase of inventory and drop in asking prices continue to signal **a very strong Buyer's market for condo/towhomes**.

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 us at 307-734-9941 or email <davidviehman@jhreassociates.com>. You can also find The Hole Report **on Facebook**.

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, impeccable level of service and personal attention that will give you the upper hand.

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 fall, 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 4897, Jackson, WY 83001, Attn: David and Devon Viehman.

Sincerely,



David E. Viehman - Owner/Editor, Associate Broker
Devon Viehman - Owner/Editor, Sales Associate
888-733-6060 x111 or 307-734-9941

davidviehman@jhreassociates.com or devonviehman@jhreassociates.com
www.jacksonholereport.com
www.jhreassociates.com

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

*This report does not go into detail on every segment of the market, but is intended to offer an overview of general market conditions, changes in number of transactions and average sales prices. The values of individual properties will most likely vary from these graphs.

*All statistics quoted in this update are based on sales in the first nine months of 2008 compared to the first nine months of 2009.

*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.