



Single Family Homes in High Demand

Welcome to the **17th Anniversary of *The Hole Report***. Published semi-annually, this data-driven report is the most accurate and trusted real estate news source in Teton County, Wyoming. First, we would like to thank all our loyal readers, customers and clients for their continued trust in this report. Jackson Hole Real Estate Associates (JHREA) ability to track every single real estate transaction, and then turn the data into historical knowledge, has made JHREA the most sought after real estate experts in Jackson Hole.

Single Family Homes in High Demand: The big news for 2011 was the shift in the Buyer's focus from the high-end to single-family homes listed for under \$1 million. At the end of 2011 we tracked 103 home sales for under \$1 million, or 55% of the overall home sales. The significant news is this: 2011 ended with **more home sales under \$1 million than we currently have in available inventory** (see single family home sales). If this trend continues, the law of supply and demand will kick in, and we could start seeing appreciation in this segment sooner than later.

As mentioned in the 2011 third quarter report, all affordably priced inventory is rapidly disappearing. 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 properties from which to choose, and loan interest rates are still at historic lows. We do not expect this opportunity to last. In 2011, there were 81 condo sales under \$500,000 versus only 69 currently listed. Under \$300,000 there were 47 condo sales versus only 22 currently listed. This will, of course, depend on how much more inventory hits the market in the coming months. NOTE: Those Sellers with properties priced above market value will continue to experience frustration with little activity, or offers, on their properties.

This demand is great news. 82% of all the '11 distressed sales occurred in this under \$1 million segment of our market. Currently 71% of the actively listed distressed inventory is in this segment. While many parts of our market have bottomed out in values, the amount of distressed listing inventory under \$500,000 can play a big part in pricing existing and upcoming inventory.

Where are these affordable-minded Buyers coming from? Of the 266 overall sales for under \$1 million in 2011, 158 of these buyers (or 59%) were local residents. Of the 132 overall sales for under \$500,000 in 2011, 88 of these buyers (or 67%) were **local residents**. NOTE: Of the 266 overall sales, 118 of the properties (or 44%) were purchased with all cash and no financing.

Rental Properties are the hotspot for 2012. As reported in the 2011 third quarter report, the rental market in Jackson Hole is tightening. Based on a survey of local property managers, there is a high demand for single-family homes, but very little supply. We cite four main reasons for this demand: 1.) low/no new construction of homes, 2.) an increase in the number of renters since many people cannot qualify to purchase a home, 3.) several contractors returning to the Valley, and 4.) little to no new rental inventory for tenants. **The affordable pricing coupled with the notable increase in the demand for rentals, is attracting investors.** These savvy, opportunistic investors are taking advantage of the greatly discounted values. And, in many cases are able to earn an impressive 7% to 10% return on their investment. Investors are not only earning these returns in Jackson; it's a nationwide trend. All across America, vacancy rates are low and rental rates are going up. As investors continue to buy these properties, the distressed inventory will continue to deplete, which in turn will help stabilize our market.

DISTRESSED REAL ESTATE (FORECLOSURES, SHORT SALES & BANK OWNED): As part of our continued efforts to stay on top of market trends, we have provided a snapshot of distressed sales in 2011 and what areas of the Valley have been affected the most. **We also offer weekly email updates of all upcoming foreclosures, short sales and bank-owned properties.**

Number of distressed sales in 2011: Out of 408 total sales in Jackson Hole, 87 were distressed (21%) at some point last year before they sold. Of those 87, 71 (82%) sold for under \$1 million, 53 sold for under \$500K (61%), and 41 sold for under \$300K (47%).

Areas with the most distressed sales: Out of the 87 distressed sales, 37 were in the Town of Jackson, 19 were south of Jackson, 12 were in Teton Village, 11 on the Westbank (outside of resort zones), 3 were in the JH Racquet Club, 3 were north of Jackson and 2 were at Spring Creek / Amangani Resort.

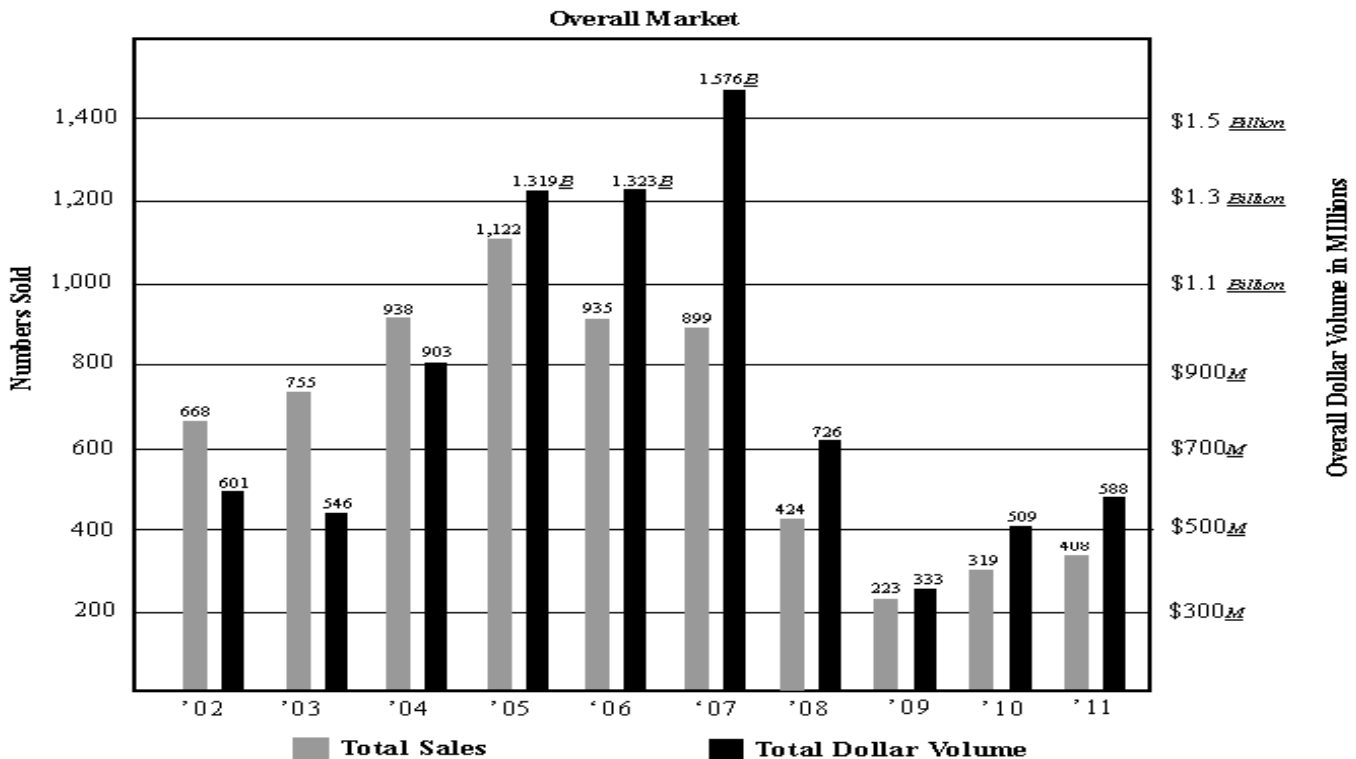
Number of currently distressed listings: There are currently 593 listings in Jackson Hole. Of these listings 34 (6%) are considered distressed. Of these 34, 24 (71%) are listed for under \$1 million, 19 (56%) are listed for under \$500K, and 11 are listed for under \$300K (32%).

Areas with the most distressed listings: Out of the 34 distressed listings, 19 (56%) are in the Town of Jackson and 7 (21%) are in Teton Village.

NOTE: If you are currently seeking well-priced distressed properties, consider the following: in 2011, 21% of the overall sales were distressed. Of the 593 currently available listings, only 6% are considered distressed. Buyers need to also understand a distressed sale requires lots of patience, as the average time spent to close on a distressed property is between 90-120 days. **Don't let the allure of a distressed property blind you from the other opportunities.** The current number of motivated Sellers is still historic, as are the low interest rates. While distressed sales usually generate lots of media press and interest, the non-distressed properties are some of the best buys in today's market. The motivated Sellers of these well-priced properties are often more eager to make a deal, and Buyers can negotiate more readily with them than the mega banks that represent the distressed properties.

CRUNCHING THE NUMBERS FOR 2011: The **overall market** (all home, lot, condo and commercial transactions or listings) again has seen a steady climb in the number of sales across the board. When comparing the 2010 year-end statistics with 2011's, we discover that the **overall number of sales was up 28%** to 408, and the overall dollar volume was up 16% to \$588 million. The upper-end market (over \$2 million) lost momentum in 2011, where sales were down 24%. In contrast overall sales between \$1 and \$2 million were up 42% in 2011. The **hot spot in 2011 was under \$1 million**, where 65% of all transactions closed.

The surge of sales in the under \$1 million market, and the simultaneous depletion of homes listed in the under \$1 million segment (see single-family homes below), are a clear indication that prices may soon start to increase in this segment, in 2012. The unknown factor is this: How much new listing inventory will we see in the coming months? In 2012, we predict with confidence that buyers will continue to take advantage of some great values. They will choose to leverage their cash, or strong borrowing power, by investing in Jackson Hole real estate. NOTE: There are still some active listings priced above their current market value. The ones that are considered "a great deal with strong value" are the ones that are selling. Those Sellers with properties priced above market value will continue to experience frustration with little activity, or offers, on their properties.



Overall real estate currently under contract reflects the 2011 trend will continue into 2012. The number of properties currently under contract is at par with the end of 2010, but the dollar volume is down 17%, and the average and median list prices are down 18% and 32% respectively. Meanwhile, the Buyer's focus on distressed properties is showing an increase, as 35% of the listings under contract are distressed. NOTE: Of the 50 properties under contract, only 6 are vacant land listings.

Current overall available inventory has **decreased 11%** when compared to the end of 2010. In contrast, the overall average listing price is up 17% and median list price is only down 2%. The drop in the median listing price indicates many Sellers' willingness to keep up with current market values. NOTE: While the number of listings and the median list price are down, the year-end total dollar volume hit a new all-time high of \$1.46 billion. The **Spring Gulch listing of \$175 million** helped tip the scales though. This is the most expensive listing ever in Jackson Hole, and currently the **most expensive listing in North America**.

Real Estate Tip: *Why you should use an IDX Broker in 2012:* According to the National Association of Realtors, 95% of all Buyers start their search for property on the Internet. In fact, buyers cite the internet as one of the most important tools they use in their property search. The National Association of Realtors "Internet Data Exchange" (IDX) policy enables MLS Brokers to display your listing on other IDX public websites. IDX, also called "broker reciprocity," is in many ways simply the logical extension of the MLS, but it's greater than just that. Example: if you list your property with a non-participating IDX Broker, Buyers who are looking at local real estate websites can only find your listing on your non-participating IDX Broker's respective website. If you list with an IDX Broker, Buyers can find your listing on 50+ other local real estate company websites and 100's of more websites nationally and internationally! Bottom line: an IDX Broker introduces your property to many more buyers and increases your chances of receiving offers.

Simply put, IDX is a big win for brokers because it's such a big win for consumers. The Internet is, hands down the greatest marketing tool in the history of real estate, and IDX is a huge enhancement to it. So, ask your Broker if (s)he is a participating Broker.

Single Family Home Sales accounted for 46% of all sales in 2011, and **were up 25%** when compared to 2010. The dollar volume totaled \$317 million (up 5%), but the average and median sale prices were both down 14% and 27% respectively. The drop in average and median sale prices can be directly attributed to the value-driven Buyer. Today's Buyers know that they are in the driver's seat in this market. These Buyers are looking for great deals or at least very good deals. Most notably, the under \$1 million market has been particularly robust and accounted for 55% of all home sales in 2011. **The year ended with more home sales under \$1 million than we currently have in available inventory.** What does this mean? Based on the law of supply and demand (103 sales in 2011 versus 73 current listings) this segment could start seeing appreciation in 2012, provided the current demand continues (short fall of 29% for 2012) and the pace of new inventory in this segment does not change.

Also noteworthy were homes that sold for under \$500,000. Just three years ago in 2008, the least expensive home sold for \$553,500, yet this year, 31 sold for under \$500,000 with the least expensive coming in at \$183,379. NOTE: There were 3 homes that sold for under \$300,000. The last time we had home sales close for under \$300,000 was back in 2002.

The single-family home hot spot. The **Town of Jackson and south of Town** shared the spotlight with 44 and 45 sales respectively. The area with the largest increase over 2010 was south of the Swinging Bridge (area 10) where 14 sales occurred, or an increase of 180% over 2010 sales.

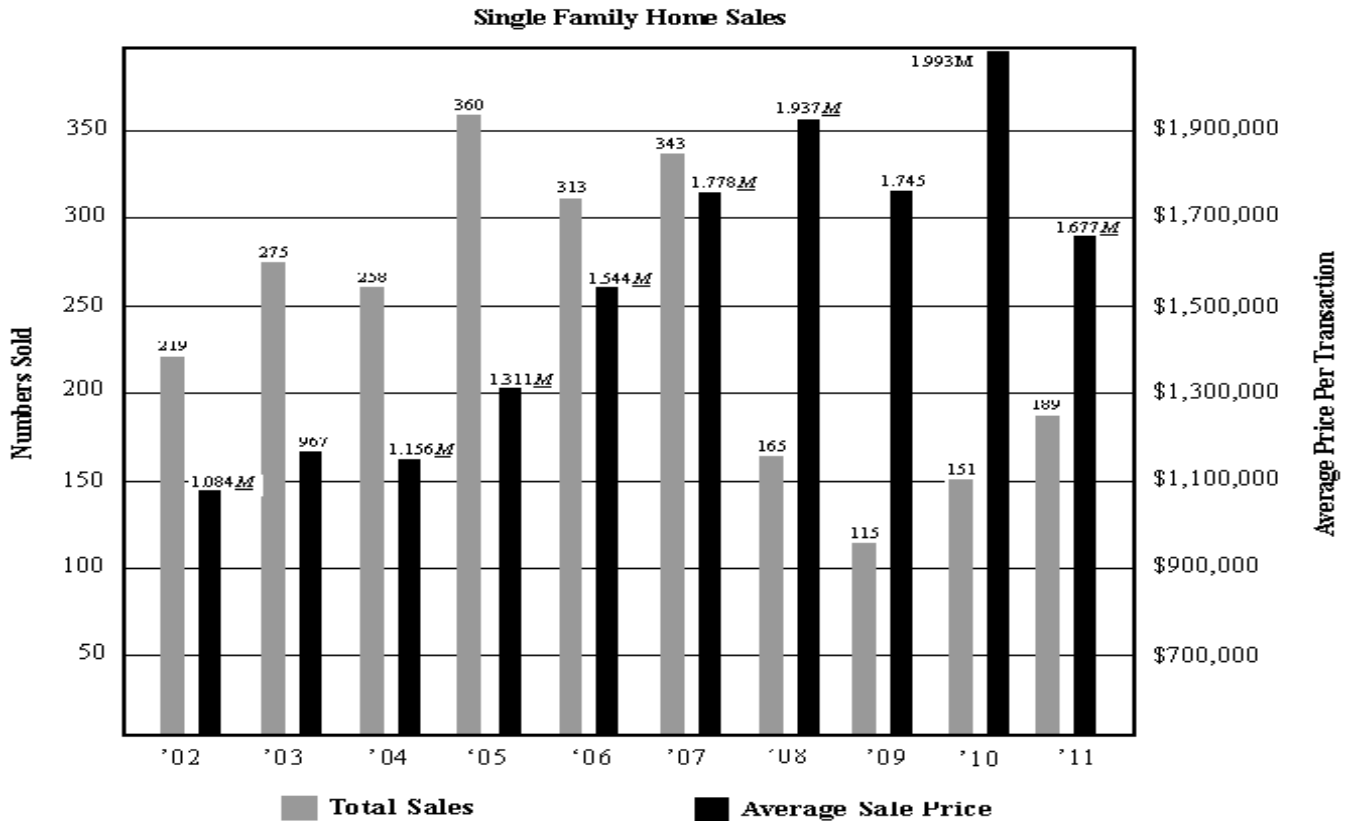
The million dollar-plus segment of single family homes was almost unchanged in the number of sales (91 transactions). While the average sales price was also flat, the median sale price was down 28% to \$1.8 million. This decrease in the median sale price reflects a shift of focus to the \$1 to \$2 million segment, where 55% of all sales over \$1million occurred in 2011.

Homes currently under contract: As of the year's end, there were 17 homes under contract (**down 32%**) with an average listing price of \$1.681 million (down 31%) and a median list price of \$899,000, down 28%. This swing in the median price is coming from the increased activity in the low end, where half the homes under contract are listed for under \$1 million.

Homes currently on the Market: There are currently 223 homes on the open market (down 3%) with an average list price of \$3.1 million (up 12%) and a median list price of \$1.525 million (down 10%). Out of the 223 single-family homes currently on the market, 73 are listed for under \$1 million, while 47 are listed for over \$4 million. This means 46% of the existing inventory is listed between \$1 and \$4 million. NOTE: If the demand for homes under \$1 million continues in 2012, expect to see the law of supply and demand kick in. Supply and demand is an economic model of price determination in our market. In a competitive market, the price for a particular home will vary until it settles at a point where the demand by buyers will equal the quantity supplied by sellers, resulting in an economic equilibrium of price and quantity.

Least expensive single-family home listing at year's end: A 2 bedroom, 2 bath 1,596 sq. ft. home on .5 acres, in the Hoback Jct. area listed for \$328,500. NOTE: This is not a distressed listing.

Most expensive single family home listing at year's end: \$29.65 million - a private estate north of Jackson with a 7,583 sq. ft. main residence and a 4,538 sq. ft. guest house. Both are situated on a total of 72 acres with direct Teton views.



Single Family Home Sales by Area:

1. **Jackson Hole Mountain Resort** (Teton Village) – 4 sold with a total dollar volume of \$14 million. The average sale price was \$3.5 million.
2. **Jackson Hole Racquet Club** (The Aspens) - 1 home sold for \$1.15 million. A 2,313 sq. ft. 3 bedroom and 2 bath home built in 1981.
- 2a. **Teton Pines** - 9 homes sold with a total dollar volume of \$18.863 million. The average sale price was \$2.095 million and the median sale price was \$1.65 million.
3. **Westbank, North of Wilson** (excluding resort areas zoned for nightly vacation rentals) - 20 homes sold with a total dollar volume of \$53.923 million. The average sale price was \$2.696 million and the median sale price was \$1.395 million.
4. **Westbank, South of Wilson** - 14 homes sold (up 56%) with a total dollar volume of \$33.7 million. The average sale price was \$2.408 million (up 56%) and the median sale price was \$1.405 million.
5. **Skyline Ranch, N. of Hwy. 22 to Sagebrush Dr./W. of Spring Gulch** - 12 homes sold with a total dollar volume of \$20.05 million. The average sale price was \$1.67 million and the median sale price was \$1.1 million.
6. **North of Jackson, S. of Gros Ventre Junction and E. of Spring Gulch** - 8 homes sold with a total dollar volume of \$3.045 million. The most expensive sale was a home in Riva Ridge, at the north end of the East Gros Ventre butte.
7. **North of Gros Ventre Junction/Kelly/Moran** - 21 homes sold with a total dollar volume of \$43.4 million. The average sale price was \$2.066 million and the median sale price was \$1.43 million.
8. **Town of Jackson** - 44 homes sold with a total dollar volume of \$29.2 million. The average sale price was \$663,693 and the median sale price was \$580,000.

9. **South of Jackson to the Snake River Bridge** - 45 homes sold (up 29%) with a total dollar volume of \$63,372,900. The average sale price was \$1.408 million and the median sale price was \$700,000.

10. **South of the Snake River Bridge to County Line** – 11 homes sold with a total dollar volume of \$8,871,204.

Condo/Townhouse: When compared to 2010, the number of **sales was up 34%** and the dollar volume was up 8%. While this segment of the market is starting to rebound, distressed properties will continue to hold values down in the low-end (under \$500,000) until these distressed listings are extinguished. The good news is our distressed condo inventory is waning. Last year at this time 79% of the sub-\$500K inventory of condos/townhomes was distressed versus only 22% at the end of 2011. While most of the distressed condos can be found in the town of Jackson, some can be found in Teton Village and the JH Racquet Club. Note: **53% of all condo sales activity in 2011 was below \$500,000.** When you combine this fact with the above-mentioned return of investors to this segment, we expect to see stabilization in this segment by the end of 2012.

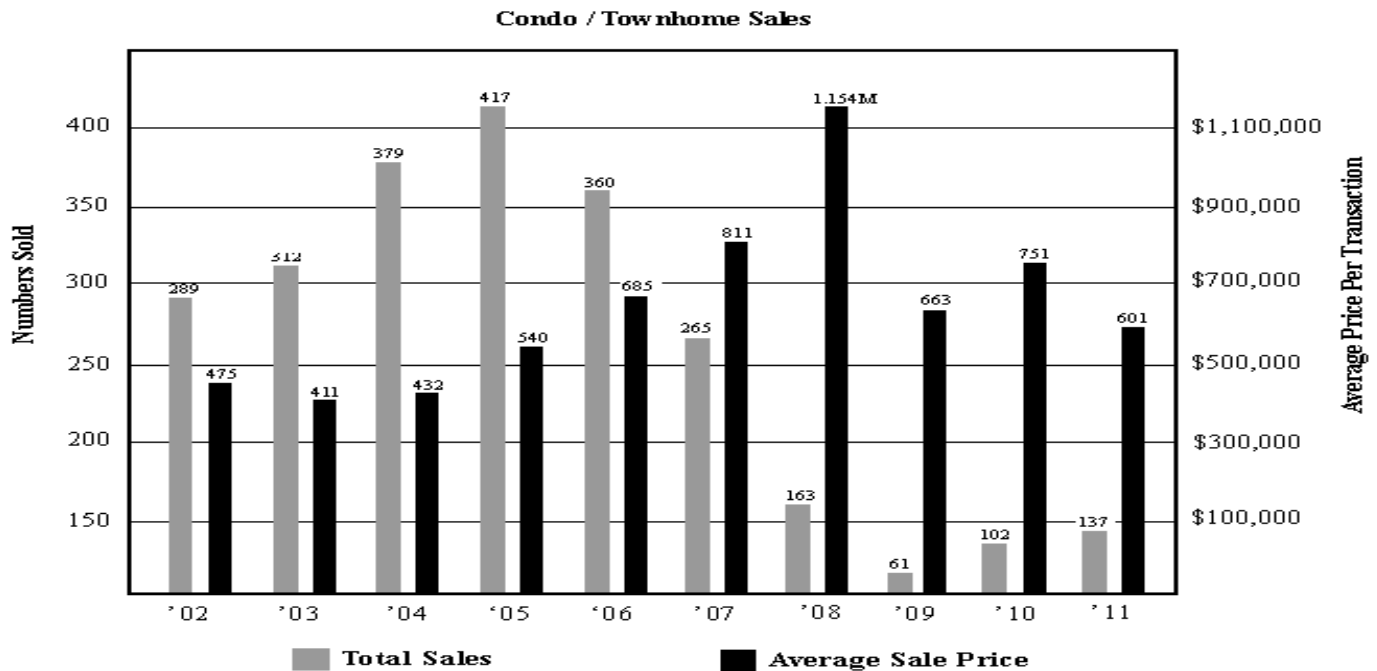
Hot Spots in the Valley: The **Town of Jackson and Teton Village** both experienced big increases in the number of condos sold in 2011, **up 70% and 22% respectively.** The Town of Jackson also outperformed all other areas, with 61 condo sales in 2011. Some of this increase can be attributed to the convenience of living in town but mostly from value-seeking Buyers looking for rock-bottom prices. NOTE: With condo values down as much as 60%, and long-term rental vacancies staying below 5%, investors' interest in this segment continues to rise. Depending on the size and location of a rental unit, cash investors can realize a 7% to 8% return on their investment, while at the same time buying at the bottom of the market.

Condo/Townhouses currently under contract are showing signs of an improvement. The number of properties currently under contract is **up 10%** when compared to the end of 2010. There were 23 condos under contract at year's end with an average listing price of \$338,770 (down 68%). This huge drop in average price reflects where our current Buyers are focusing. The median list price of condos currently under contract is down 30% to \$347,000. Note: 52% of the condos under contract are considered distressed.

Current available inventory for sale is down **21%** when compared to the same period in 2011. This segment of the market is where half of our distressed inventory resides. Of the 17 distressed condos, 15 are listed for under \$400K. NOTE: For the first time in almost two decades, mortgage payments can be less than you would pay to rent. If you can afford a 10% down payment, and have a good credit score, you can buy a condo and start building equity.

Least expensive condo/townhouse listing at year's end: \$102,000 (a 716 sq. ft. 2 bedroom 1 bath condo in west Jackson).

Most expensive condo/townhouse listing at year's end: \$3.95 million (a 3,172 sq. ft. 3 bedroom, 4.5 bath Private Residence slope-side unit in the Four Seasons Resort, Teton Village).



Condo/Townhouse Sales By Area:

- 1). Jackson Hole Mountain Resort (Teton Village)** – 46 sold (up 70%) with an average sale price of \$998,543 (down 33%) and a median sale price of \$762,500 (down 39%). The most expensive sale was \$3.1 million (Four Seasons condo, 2,680 sq. ft. with 3 bedrooms and 3.5 baths).
- 2). Jackson Hole Racquet Club (The Aspens)** - 10 sold (down 33%) with an average sale price of \$383,450 (up 18%) and a median sale price of \$315,000 (up 19%). The most expensive sale was \$775,000. A 2,021 sq. ft. condo with 3 bedrooms and 3 baths, built 1983 in the Ponds section of the resort, bordering ranch land to the north.
- 3). Teton Pines** - 7 townhouses sold with an average sale price of \$820,714 and a median sale price of \$800,000.
- 4). Town of Jackson** - 61 sold (up 22% from 2010) with an average sale price of \$820,714 (down 29%) and a median sale price of \$320,000 (down 21%). NOTE: 45% of all condo sales in Jackson Hole were in the Town of Jackson.
- 5). Jackson Hole Golf & Tennis** - 2 condos sold with an average sale price of \$545,000.
- 6). Rafter J Ranch** – 3 condos sold with an average sale price of \$318,167 and a median sale price of \$322,500.
- 7). Spring Creek Resort** – 1 sold for a total of \$760,000. It was a 1,881 sq. ft. 2 bedroom and 2 bath condo built in 1983.

Residential Vacant Land: When compared to 2010, the **number of lots sold was up 8%** to 53 transactions. Following suit the average and median sale prices are up 14% and 3% respectively. While this segment of the market has started to rebound, do not expect any appreciation in 2012. Unlike the single-family home segment, where demand will soon outpace supply, at the current sales pace it will take 3+ years to deplete the current vacant land inventory. While only 3% of the current lot inventory is distressed, the lack of readily available financing will also keep buyers at bay. Today, lenders consider vacant land purchases as pure speculation, unless the Buyer plans to build a home within 12 to 36 months from closing. This statement is backed up by the fact that only 30% of all vacant land sales used bank financing in 2011.

The million dollar-plus segment of residential lots has reversed its three year downward trend in 2011. The **number of sales was up 27%** and the dollar volume was up 43%. NOTE: Currently 50% of the available residential vacant land inventory is listed for over \$1 million. If you are a property owner in Jackson Hole, and would like a free comparative market analysis please contact your JHREA Broker. Our in-depth local knowledge combined with the **Christie's International Real Estate** global network has made us **Your Local Luxury Experts**.

Available vacant land listings: Available inventory is **down 11%** when compared to 2010 with 180 available single-family home sites. The average listing price is down 8% to \$2,186,051, and the median listing price is only down 16% to \$998,000. Bargains on residential vacant lots can be found in just about every neighborhood in Jackson Hole. Available inventory is broken down as follows: 16 under \$300K; 25 between \$300K and \$500K; 49 between \$500K and \$1 million; 43 listings between \$1 and \$2 million; 24 between \$2 and \$5 million; 16 between \$5 and \$10 million; and 7 over \$10 million.

Least expensive lot listing at year's end: \$193,900 for a 0.22-acre single family lot in the Town of Jackson.

Most expensive lot listing at year's end: \$21.9 million for 72 acres on the Snake River, north of Jackson.

Lots currently under contract – There are currently 6 lots under contract with an average list price of \$2,749,000.

Residential Vacant Land Sales by Area:

- 1. Jackson Hole Mountain Resort (Teton Village)** – 3 lots sold with a total dollar volume of \$4,350,000. There was 1 in Granite Ridge subdivision, and 2 in Jackson Hole Ski Corp. additions.
- 2. Jackson Hole Racquet Club and Teton Pines** – No vacant land sales in Teton Pines or the JH Racquet Club.
- 3. Westbank, North of Wilson (excluding resort areas)** – 3 lots sold with a total dollar volume of \$2,630,000. The least expensive sale was a 1.27 acre lot off the Village road for \$435,000.
- 4. Westbank, South of Wilson** - 4 lots sold with a total dollar volume of \$6,950,000. The least expensive sale was a .65-acre lot for \$525,000.

5. Skyline Ranch, N. of Hwy. 22 to Sagebrush Dr./W. of Spring Gulch - 10 lots sold with an average sale price of \$3,116,725 and a median sale price of \$901,000. Total dollar volume was \$31,167,250

6. North of Jackson, S. of Gros Ventre Junction and E. of Spring Gulch - 3 lots with a total dollar volume of \$3,550,000. The most expensive sale was \$1.4 million.

7. North of Gros Ventre Junction/Kelly/Moran - 6 lots sold with an average sale price of \$687,500 and a median sale price of \$650,000. Total dollar volume was \$4,125,000.

8. Town of Jackson - 6 lots sold with an average sale price of \$224,400. The most expensive sale was \$350,000.

9. South of Jackson to the Snake River Bridge - 16 lots sold with an average sale price of \$1,299,681 and a median sale price of \$850,000. The most expensive sale was \$4.25 million.

10. South of the Snake River Bridge to Co. Line - Only 2 lots sold south of the SR Bridge in 2011. One was a 2.66-acre lot on the Snake River that sold for \$750,000 and the other was a bank owned 40 acre listing up Horse Creek for \$1,250,000.

Residential Vacant Land Sales

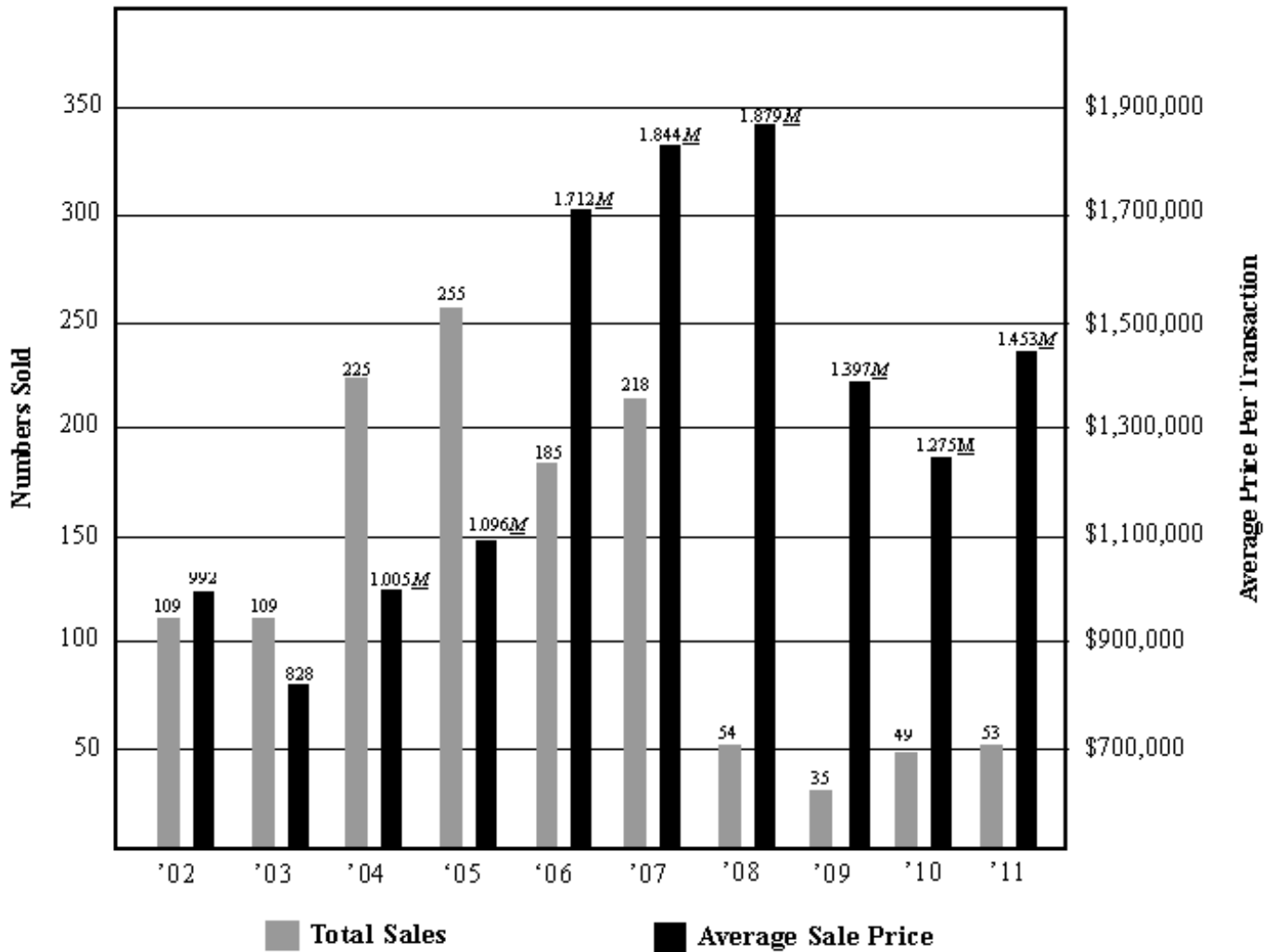




Photo courtesy of Ed Riddell

Grand Teton National Park Foundation

It is a sincere privilege to live in the shadows of the Teton Mountains. The beauty. The wildlife. The recreation. With Grand Teton National Park (GTNP) in their backyard, Jackson Hole residents are some of the luckiest people on the planet. Devon and I feel fortunate to live here full-time with our families. We find ourselves in The Park often – whether it’s for an afternoon wading the waters in search of cutthroat trout or horseback riding, Devon and I are passionate for the Park. It’s also the cornerstone of the economy in Jackson Hole, and the biggest reason why our clients choose to purchase property here.

Grand Teton National Park Foundation provides financial support for special projects that enhance and protect Grand Teton National Park’s treasured resources. Since 1997, the organization has raised more than \$20 million for education, youth programming, wildlife research and protection, and funding initiatives that go beyond what the National Park Service could accomplish on its own. Foundation friends solve park challenges and create a solid future for GTNP.

As proud Partners of the Foundation, Devon and I encourage you to visit www.gtnpf.org to learn how you can make a difference. Consider volunteering your time or giving a gift to help protect Grand Teton National Park. Together, we’ll provide vital funds to move research projects forward, rebuild trails, and expand special youth programming, just to name a few. Your support of Grand Teton National Park Foundation’s work will help others understand and care about America’s impressive, untouched places and the critical role we each can play in stewardship of our national parks.

Affordable Housing Provides Homes for Community’s Middle Class: The lower prices and interest rates resulting from the uncertain economy have made some homes on the free market less expensive, yet there is still a large gap between the price of housing available in our community and what many in our workforce can afford.

This is particularly true for people who fall into the community’s middle class. **In 2011, the median sale price for a single-family home in Teton County was \$950,000.** Households earning an income in the county’s middle range could qualify to buy a home for \$237,200. **This left a gap of \$712,800 between what these households could afford and the actual cost of a single-family market home.**

The free market in our community historically has been unable to adequately serve the needs of our lower to middle income workforce members. This is demonstrated by the continuing demand for affordable workforce housing. To meet this demand, the Jackson Hole Community Housing Trust, Habitat for Humanity, and Teton County Housing Authority (TCHA) each have new affordable neighborhoods in development and construction.

TCHA is developing 5-2-5 Hall, a 12 unit affordable neighborhood slated for completion this spring. TCHA will offer seven Category 1 affordable homes priced at \$160,000. To minimize the local taxpayer subsidy for the 5-2-5 Hall homes, TCHA partnered with Habitat for Humanity and secured 2 grants totaling \$406,000; one with Wyoming Community Development Authority (WCDA), and the other with the Federal Home Loan Bank of Seattle with support from First Interstate Bank.

Habitat for Humanity is offering the other five homes at 5-2-5 Hall through its program to pre-selected families who have been helping to build the homes and taking financial education classes towards a 500 hours “sweat equity” requirement. Habitat will sell the homes at its cost of construction and issue an interest-free, 30-year loan to its buyers.

The Jackson Hole Community Housing Trust is on track to complete construction of eight new homes in east Jackson in early May. In an effort to secure construction financing for the homes, two financially pre-qualified families have executed purchase agreements for each of the eight homes. In order to make the homes at Daisy Bush affordable to dedicated members of our workforce, a \$225,000 subsidy was made possible by the generosity and commitment of the Jackson community.

The need for affordable workforce housing in Teton County is still strong, making it as important as ever for our three housing organizations to continue to provide affordable homes to help preserve a strong, vibrant and healthy middle class in our community. To learn more about affordable housing, please contact any of our organizations:



(307) 734-0828
www.tetonhabitat.org



The Commercial Corner: Some good news in the Commercial Corner! The 2011 local commercial market has picked up pace and gained traction compared to 2010. MLS shows 10 commercial closings for 2011 totaling over \$9m, but there are about 8 other commercial transactions that closed that were not listed in MLS with a volume of over \$70MM! Additionally, 3 more commercial transactions already closed in 2012 for a volume over \$4.5m! That's a significant increase from 2010 and a strong start to 2012.

Almost all of these transactions were cash, or owner financed. The highest reported sale in 2011 was \$3.35m and the highest unreported commercial transaction was over \$50MM. According to reliable sources, the highest sale was the Four Seasons hotel in Teton Village for over \$50MM. Several larger transactions over \$2m and one as high as \$10m traded around a consistent 6%-6½% CAP rate. The lease activity has also picked up pace. These recent transactions have given our commercial market more stability.

It goes without saying that Commercial markets would benefit from a stronger commercial lending environment. Banks still do not yet have a secondary market to sell commercial loans and lending regulations are still tight. Regulators still hold banks to strict lending guidelines for commercial loans. The result of this stricter commercial lending environment is a slow recovery.

Commercial Values becoming more stable: I reported in July 2011 that there was a trend toward stabilization and that property values started trading more consistently with a CAP rate around a 6%-6.5%. My analysis seems to have become more solid as several more properties traded within that same CAP rate.

A National Look at the Commercial Markets: According to Wells Fargo Economics Group, in an article "Optimism is Giving Way to Reality", Mark Vitner, their Senior Economist writes, "*Renewed worries about sovereign debt, growing concerns about tackling US budget deficits and a sharp deterioration in consumer confidence that coincides with an unsettling slowdown in real income growth has altered the landscape for commercial real estate. Expectations for economic growth have been scaled back for 2012 and beyond, which means that the recovery in commercial real estate may take a little longer to unfold than previously thought.*"

Consumer caution and election year politics will continue to slow the recovery. Consumers are cautious about their own job and income prospects which translates into lower overall consumer confidence.

Should the national commercial markets experience a slowdown, we may also feel that in our local markets. Weak financing together with the uncertainty of a national election may cause a slowdown in the local commercial markets in 2012.

Looking Forward: National regulatory agencies still need to loosen the regulations on banks and take some pressure off to open up available credit for the commercial sector.

Cash flowing properties continue to be valued by the income they produce. Locally, we have seen consistency as more commercial transactions trade between 6%-6.5% CAP rate. As more commercial deals close, confidence grows! Wyoming's income tax laws continue to attract businesses to relocate to Jackson.

It is still more cost effective to buy existing commercial property than it is to build. Buyers will continue to purchase existing commercial real estate until it becomes more cost effective to build.

If you are looking for local commercial property, find an informed local commercial broker. Many commercial sales are closed outside of MLS.

Michael S. Pruett
Associate Broker, Commercial Real Estate

The Appraisal Corner: I was recently asked by a local realtor, "Why are appraisers setting the market?" I was taken aback by the question as nothing is further from the truth. I suppose I shouldn't have been so surprised as we have seen such a dramatic decline in the real estate market since the high in 2007 and people are looking for answers.

In a down trending market, it is often the appraiser who delivers the "bad news" resulting in buyers and sellers demanding second opinions. "These values can't be right," they say. There have even been congressional investigations of why appraisals are coming in so low. The answer is very simple. It is not the appraisal. It is the fact that the real estate market has suffered an incredible decline. With many property owners upside down in their mortgages and many properties going to short sale or foreclosure, such properties will continue to set the market. And not until these "troubled properties" are removed will normal market forces take hold.

A recent press release from the National Home Builders Association entitled, Flawed Appraisals Killing Home Sales, Hampering Housing Recovery; suggested a similar sentiment as the local realtor's question. To this The Appraisal Foundation, which is the Congressionally-authorized organization that establishes appraisal standards and appraiser qualifications in the United States, responded with a letter addressing this exact issue. A portion of the letter is below:

The press release quotes NAHB Chairman Bob Nielsen as stating, "The inappropriate use of distressed and foreclosed sales as comparables in determining new home values is needlessly driving down home prices, killing home sales, causing more workers to lose their jobs and delaying a housing and economic recovery." Mr. Nielsen is also quoted as stating, "This is not only unfair and unreasonable, but it perpetuates the cycle of declining home values, drives more home owners underwater, harms local economic activity and acts as an obstacle to the recovery of the housing market."

It is critical to understand that appraisers do not determine property values; they simply reflect the actions of buyers and sellers in the marketplace. An appraiser's role is to "mirror the market" by analyzing the actions of buyers and sellers in the marketplace to produce a credible opinion of value.

The press release also refers to "faulty appraisal practices," where "brand new homes with sparkling appliances and interior upgrades get compared to a distressed property that has been sitting vacant and in disrepair." All things being equal, it is certainly true that the more similar a competing property is to the subject property, the better a comparable it is likely to be. However, there are often reasons why an appraiser may have to consider comparables that are not as physically similar to the subject property as may be desired. One key component in appraisal theory is the Principle of Substitution, which essentially states that knowledgeable and typically motivated buyers would not pay more for a property if a similar property could be built (or if competing properties are available in that marketplace at a lower price). The press release claims that 53 percent of builders surveyed reported appraised values that came in lower than the cost to construct. A concept many builders often fail to recognize is that cost does not equal value. In "depressed" markets, it may be common for buyers to be unwilling to pay the full cost to construct a home; in appraisal, this is known as external obsolescence, which is a loss in value due to factors outside the subject property. In these cases, that loss is attributed to a market where buyers have set a "limit" on the amount they are willing to pay, regardless of the cost to build.

While few would argue that a new home is not physically similar to a home that is in "disrepair," the appraiser must analyze the effect of such properties on new home sales. For example, in marketplaces where many of the properties being bought are distress sales (e.g., foreclosures, bank-owned properties, short sales, etc.), it is not only permissible for appraisers to consider and potentially use these sales as comparables (or "comps") but appraisers are required to determine the impact this activity is having in the marketplace. This is due to the fact that distress sales may very well impact the value of more "conventional" sales, because in several markets buyers may be reluctant to pay more for any property than the price level set by the distress sales (note the reference to the Principle of Substitution made previously). Further, if the number of distress sales (or distress properties available for sale) becomes so significant in a marketplace that it represents virtually the only activity occurring, the distress activity may actually become the marketplace.

In Teton County, properties that sold in 2006 and 2007 are now selling for 20% to 50% less, and a significant contributing factor for this is the number of foreclosures and short sales. Assuming these properties have been exposed to the market and have no significant limiting conditions, appraisers see them as most reflective of the current market. More simply put: if you and your neighbor have like properties, all other factors being equal, the lowest priced home will sell first. This fact is what currently drives the market. "Distressed" inventory or not, it is a buyer's market and buyers are looking for a deal.

Our staff has over 28 years of combined real-estate appraisal experience and is able to handle any project, no matter what different complexities of the market are at the time.

Tom Ogle, General Certified Appraiser
Mike Krasula, General Certified Appraiser
Nora Farrand, General Certified Appraiser
Jackson Hole Real Estate Associates LLC
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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, daily tracking of 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 your JHREA Broker to learn more about the programs and services we can provide.

Christie's International Real Estate is the only real estate network wholly owned by a fine art auction house. The network is uniquely positioned to follow the footprint of its parent company, Christie's, into the growing markets of the Middle East, Russia, and China, as well as established economies across the world, most notably North and South America and Europe. The new name further underscores that the values that distinguish Christie's—commitment, expertise, integrity, discretion, and five-star customer service—are likewise embedded in the company's luxury residential property specialists.

Christie's International Real Estate represents some of the most prestigious trophy properties in the world, which include estates, resort properties, second and third homes, and super-prime new-build developments. Properties have included Lord Andrew Lloyd Webber's Trump Tower Residence in New York City; Lyons Demesne, the historic Irish landmark fully restored by Dr. Tony Ryan; Ingmar Bergman's island retreat in Sweden; and the Astor Beechwood Mansion in Newport, Rhode Island. Among the most valuable properties currently in the Christie's International Real Estate portfolio are Palais Montmorency on Avenue Foch in Paris, France, valued in excess of US\$100 million, and Cornwall Terrace, the historic Grade I-listed Regency terrace in The Regent's Park, London, which was recently voted the most significant luxury property development in the United Kingdom.

News from the Christie's Network

Christie's International Real Estate **GLOBAL AFFILIATE OF THE YEAR 2011**

Jackson Hole Real Estate Associates named Global Affiliate of the Year: "This year, Small is Mighty."

With those words, I announced Jackson Hole Real Estate Associates as the Christie's International Real Estate Affiliate of the Year for 2011 in London last month. Your trusted property advisors in Jackson, your friends, and your neighbors were duly recognized worldwide for excellence in 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 the Partners and Brokers of Jackson Hole Real Estate Associates on their company's success.

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. I am confident that the company and its brokers will provide you with the expert, trusted advice and customer service together with the worldwide marketing excellence of luxury residential property, which distinguishes Christie's International Real Estate.

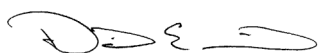
Neil P. Palmer, MRICS
Chief Executive Officer

Clayton Andrews Appointed to Head Central Region. We are delighted to welcome Clayton Andrews as Senior Vice President and General Manager of the Central Region. Clayton assumes responsibility for our existing Affiliate and Bespoke relationships in the Central Region, and aims to significantly expand this important business to the benefit of our global network. Clayton brings to his position more than two decades of luxury residential real estate experience. From 1991-2003, he served as a partner and member of the board of directors for Jackson Hole Realty in Wyoming. He sold his company to Sotheby's in 2003, becoming Executive Vice President and Chief Operating Officer for the Mountain Region, overseeing more than 400 brokers and growing his area into a market leader.

Jackson Hole Real Estate Associates is the regions largest locally owned and operated real estate brokerage. As the exclusive affiliate of Christie's International Real Estate, **Jackson Hole Real Estate Associates provides access to a worldwide audience with more than 1000 real estate offices in 42 countries and transactions resulting in over \$125 billion annually.** The reputation of Jackson Hole Real Estate Associates for exemplary client service and market knowledge combined with the power of Christie's International Real Estate, the largest network of independent real estate firms, offers a synergy between local strength and global networking. By cultivating this unique balance of worldwide scope with a personal touch, through Christie's International Real Estate, Jackson Hole Real Estate Associates has become a global authority on the effective marketing of fine properties. Finely tuned marketing services, and a commitment to the business philosophy established by Christie's in 1766, define a brand based on trust, integrity, discretion, and excellence.

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 about 70% of the market) JHREA tracks 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, please contact your JHREA Broker.

Sincerely,



David E. Viehman - Owner/Editor, Associate Broker
Devon Viehman-Wheeldon - Owner/Editor, Associate Broker

JACKSON HOLE
REAL ESTATE
— ASSOCIATES —

EXCLUSIVE AFFILIATE OF
CHRISTIE'S
INTERNATIONAL REAL ESTATE

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

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