

Teton County Real Estate 2010 Year End Report

Value Losses Continued in 2010 Despite Increases in Number of Sales Entry Level Housing Hit Hardest

Residential Property Analysis

Most Realtors agree that the market appears to be gaining strength, and while individual property values are still trending down, the number of sales in Teton County was up by over 27% over the preceding year. Furthermore, despite the continued value decline, the relative strength of the higher end segments of the market kept average prices nearly level, showing a less than 1% decline. The increase in both number of sales and the influence of high end transactions combined to increase overall dollar volume of sales by approximately one-third. Some value losses have been as extreme as 7;0%, although these losses are limited to areas where distressed properties are most prevalent (such as entry level attached homes). Value loss for this market segment was ongoing throughout 2010, with losses of 30% in some cases. Less distressed areas of the Teton County market have been, to date, able to limit total loss to between 30% and 40% of peak values, with a majority of this loss having occurred from late 2008 through 2009.

Total Residential (Single-Family, Condo/Townhouse, Vacant Homesite)	20 08	2 0 0 9	2010	2009/2008	2010/2009		
Total Number of Sales			388	224	296	-42.27%	32.14%
Total Average Sale Price			\$1,606,595.29	\$1,404,296.25	\$1,462,113.51	-12.59%	4.12%
Total Sales			\$623,358,972.94	\$314,562,360.62	\$416,702,350.00	-49.54%	32.47%

To further analyze the most current trends in the Teton County Real Estate Market, the market segments of single-family home sales, vacant homesite sales, and condominium / townhome sales will first be examined without differentiation between the higher-end resort segment of the market and the more moderately priced market segment. Each of these data sets was then allocated between its higher-end and more moderately priced components for further analysis and comparison to data from previous years.

I. Single Family Residences

Single family home sales were up 25.45% from 2009. This placed single family home transaction numbers at a level approximately 5.5% less than 2008 numbers, but not even totaling 50% of the transaction numbers seen in 2007. The average transaction price of single-family homes increased by over 12% in 2010. However, this is due to a prevalence of higher-end transactions, not an increasing value trend. In fact, the observation of sales and resales of the same or similar properties indicates that home prices during 2010 have, at best, lost from 0% - 10% of value in some high-end segments, while experiencing double digit value loss (on top of price erosion experienced in 2008 and 2009) in the most affected neighborhoods. The following table shows year-over-year comparisons of single-family home sales from 2000 to 2010.

	2000	2001	2002	2003	2004	2005
SFR Number of Sales	313	227	224	261	255	334
SFR Average Sale Price	\$1,148,440. 42	\$1,171,237. 25	\$1,041,661. 71	\$1,083,971. 34	\$1,155,633. 67	\$1,589,917. 33
SFR Total Sales	\$359,461,85 1.00	\$265,870,85 5.00	\$233,332,22 2.00	\$282,916,52 0.00	\$294,686,58 4.97	\$531,032,38 7.00
	2006	2007	2008	2009	2010	2010/2009
SFR Number of Sales	295	282	146	110	138	25.45%
SFR Average Sale Price	\$1,500,776. 62	\$1,909,133. 82	\$2,097,104. 86	\$1,726,170. 55	\$1,937,805. 19	12.26%

Market Share between “Resort / Second Home” and “Local” Market

Historically, the Teton County Market Area has been broken down into two components. The first is the “local” segment whose owners live and work full-time in Teton County. The second is the resort community whose wealth is not necessarily tied to the local economy. Examples of the former category would be homes in developments such as Cottonwood Park, Melody Ranch, and the incorporated Jackson area. Examples of the latter area include homes located on the “West Bank” of the Snake River, north of Jackson, and the Teton Village area. The following table allocates the single family homesites between these segments:

Property Type	Market Segment	Data	2008	2009	2010	2009/2008	2010/2009
SFR	Local Market	Number of Sales	78	52	59	-33.33 %	13.46 %
		Average Sale Price	\$1,083,491	\$927,413	\$720,491	-14.41 %	-22.31 %
		Total Sales	\$84,512,309	\$48,225,500	\$41,068,000	-42.94 %	-14.84 %
	Resort / Second Home	Number of Sales	68	58	79	-14.71 %	36.21 %
		Average Sale Price	\$3,259,779	\$2,442,298	\$2,827,381	-25.08 %	15.77 %
		Total Sales	\$221,665,000	\$141,653,261	\$220,535,700	-36.10 %	55.69 %

As shown in the previous table, the locals market had a modest increase in the number of sales. By comparison, the resort market has increased by over 36%. Furthermore, the average price of a transaction in the locals market decreased by 22.31% while the resort market had an average sale price that increased by over 15%. As a specific example, one attached home development in West Jackson experience prices for a three bedroom unit in early 2008 of \$622,000. By the end of January of 2010, a similar unit had sold for \$450,000, a loss of over 27%. Presently a unit in this development is listed for sale for \$355,000. Were it to sell for 90% of list price, it would represent another increment of value loss of 29% and an over 48% value loss over all. By comparison, an approximately 2,300 square foot home in the Wilson area is currently pending at a list price of \$1,245,000. Were it to sell for 90% of this price, it would represent a total loss of 30% from average peak values for this type of a property noted in 2007.

It would appear, as implied by the data, that the resort single-family home market segment is currently on better footing.. That said, transaction volume has been relatively low, even in what appear to be the more resilient segments and more data will need to be observed to discern if the resort market segment will continue to resist downward pressure.

Luxury Home Submarket of the Resort-Orientated Market Segment

Included in the above-discussed resort orientated market segment is the submarket of luxury homes. Observation of high-end home sales reveals that 23 sales equal to or above \$3,000,000 occurred in 2010. This number is similar to the numbers noted in the years of 2000 and 2004, but less than that of the most robust years of 2005-2007. While the number of high-end home sales has decreased, the existence of sales at the upper reaches of the value range has caused many real estate professionals to feel that pricing in this market segment has experienced the least amount of discounting.

Luxury Home Sales by Price Classification												
Sale = to > than	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
=/>\$3,000,000	21	18	19	16	21	23	20	17	18	21	23	
=/>\$4,000,000	10	12	10	11	14	12	11	12	11	11	11	
=/>\$5,000,000	6	10	6	8	10	11	10	11	11	6	11	
=/>\$6,000,000	6	8	5	6	9	10	8	11	7	3	8	
=/>\$7,000,000	5	7	1	4	6	6	5	9	7	2	6	
=/>\$8,000,000	4	6	1	2	2	5	4	7	6	2	3	
=/>\$9,000,000	4	4	1	1	0	3	2	6	5	1	2	

II. Single-Family Homesite Sales

The year-end data for vacant homesites shows a 19.51% increase in the number of sales. Despite this increase, an approximate 24.84% decline in the average transaction price resulted in a net decline in the dollar volume of sales for this market segment of 17.51%. The following table shows year-over-year comparisons of vacant homesite sales in the Teton County Market Area.

	2000	2001	2002	2003	2004	2005
Homesite Number of Sales	219	116	104	108	217	245
Homesite Average Sale Price	\$870,426.39	\$850,743.98	\$1,038,391.22	\$1,157,705.12		
Homesite Total Sales	\$201,532,459.00	\$108,113,909.00	\$90,524,345.00	\$91,880,350.00	\$225,330,894.00	\$283,637,755.00

	2006	2007	2008	2009	2010	2010/2009
Homesite Number of Sales	166	166	63	41	49	19.51%
Homesite Average Sale Price	\$2,012,047.62	\$1,386,773.78	\$1,042,255.56	-24.84%		
Homesite Total Sales	\$279,817,257.00	\$324,996,069.20	\$126,759,000.00	\$56,857,725.00	\$46,901,500.00	-17.51%

Allocation Between “Resort / Second Home” and “Local” Market

As was done with single-family residences, the market for vacant homesites was broken down into its component parts of the “resort” and “local” markets. The following table summarizes this allocation:

Property Type	Market Segment	Data	2008	2009	2010	2009/2008	2010/2009
Homesite	Local Market	Number of Sales	23	10	15	-56.52%	50.00%
		Average Sale Price	\$843,717	\$849,250	\$381,654	0.66%	-55.06%
		Total Sales	\$19,405,500	\$8,492,500	\$4,961,500	-56.24%	-41.58%
	Resort / Second Home	Number of Sales	40	31	34	-22.50%	9.68%
		Average Sale Price	2,683,838	1,560,169	1,310,625	-41.87%	-15.99%
		Total Sales	107,353,500	48,365,225	41,940,000	-54.95%	-13.28%

Both the local and resort segment showed similar growth in sales numbers. However, the average transaction price of the resort market was only noted to decrease by approximately 16% while the average sales price of the local market sales fell by 55%. As a result, the locals market showed the greatest drop in dollar volume of sales, with a 41.58% decrease. It should be noted that, as with the previously-observed increases in the average price of some segments, an average value loss of 55% does not imply a homesite worth a particular amount at the beginning of 2010 is now worth 55% less. Taking percentages of a combined inventory of property can be misleading in this regard. As an example, one listing of a vacant site in Melody Ranch is currently in the mid-to-low \$300,000 range. Individual comparisons of this nature show value loss in the local market for homesites more along the 20-25% range during 2010.

III. Condominium and Townhome Market

Examining year-to-date data for condominiums and townhomes, an increase in the number of sales up 49.32% is noted. This is in stark contrast to 2009, which saw a drop in sales volume of nearly 60%. The result of both the dramatic up and down swings of this market in the past two years, the number of sales of condominium now equates to 39% of the sales recorded in the peak year of 2007. Average sales price of attached homes showed an increase of 10.9%. However, this gain is attributable to the closing of nine cabins in the Shooting Star development with the average price of these units being in excess of four million dollars. These sales are felt to skew the data due to their being pre-construction contracts that were written in more favorable economic times. Removing these sales from consideration, the average price of attached home transaction actually decreased from 2009 in an amount of 15.6%.

	2000	2001	2002	2003	2004	2005
CO/TH Number of Sales	272	241	261	300	384	436
CO/TH Average Sale Price	\$334,689.67	\$477,908.46	\$482,594.98	\$430,784.29	\$431,731.51	\$591,870.40
CO/TH Total Sales	\$91,035,590.00	\$115,175,940.00	\$125,957,289.01	\$129,235,285.98	\$165,784,900.00	\$258,055,493.48
	2006	2007	2008	2009	2010	2010/2009
CO/TH Number of Sales	349	268	179	73	109	49.32%
CO/TH Average Sale Price	\$705,913.27	\$822,997.06	\$1,063,813.77	\$929,121.57	\$1,030,449.05	10.91%
CO/TH Total Sales	\$246,363,732.36	\$220,563,211.22	\$190,422,663.94	\$67,825,874.62	\$108,197,150.00	59.52%

Allocation Between “Resort / Second Home” and “Local” Market

As was done with single-family residences and homesites, the market for attached homes for analysis, was allocated into its component parts of the “resort” and “local” markets. The following table summarizes this distribution:

Property Type	Market Segment	Data	2008	2009	2010	2009/2008	2010/2009
CO/TH	Local Market	Number of Sales	80	38	50	-52.50%	31.58%
		Average Sale Price	\$645,563	\$496,347	\$532,872	-23.11%	7.36%
		Total Sales	\$51,645,037	\$18,861,180	\$26,110,750	-63.48%	38.44%
	Resort / Second Home	Number of Sales	99	35	59	-64.65%	68.57%

	Average Sale Price	\$1,401,794	\$1,398,991	\$1,465,829	-0.20%	4.78%
	Total Sales	\$138,777,627	\$48,964,695	\$82,086,400	-64.72%	67.64%

The above data indicates that the resort market was the driving force behind the up tick in the condominium and townhouse market. However, it needs to be reiterated that much of this recovery was attributable to contracts at the Shooting Star development that were written prior to the economic down turn. The current inventory of active attached homes from the local market, as well as some rental oriented condominiums from the resort segment, show an influence from distressed sale situations are likely to challenge an immediate recovery in this segment. As examples of this, it is currently noted that a Ponderosa Condominium is currently listed for \$99,000 as a short sale. Admittedly short sale listings can be deceiving, as there is no guarantee a bank would accept offers below loan balance. However, were this unit to sell for 90% of its asking price, it would represent a 76.5% devaluation from previous peak prices. A similar situation is noted in a bank-owned Love Ridge condominium near Snow King that would imply a 65% devaluation if it were to garner 90% of its asking price. While there is a temptation to dismiss such properties as being anomalies due to the atypical motivations involved in distressed sales, when distressed sales comprise a significant enough share of the available inventory, their effect on value cannot be ignored.

IV. The Supply Side

When considering the health of a real estate market, it is important to consider available inventory as well as historical demand.

	Active Listing Inventory 2009 vs. 2010		2009 - 2010		2007 - 2010					
	Single-Family Homes	Single-Family Homes	Single-Family Homes							
	Dec-07		Dec-09		Dec-10					
	Number	Avg. Price	Number	Avg. Price	Number	Avg. Price	Chng. in #	Chng. in %	Chng. in #	Chng. in %
Teton Village	4	\$8,262,500.00	21	\$6,095,476.19	12	\$5,715,416.67	-9	-42.86%	8	200.00%
West Bank	34	\$7,006,617.65	73	\$3,708,952.05	82	\$3,468,871.83	9	12.33%	48	141.18%
Buttes and North	38	\$4,751,947.37	72	\$4,968,749.99	77	\$4,257,704.53	5	6.94%	39	102.63%
Town and South Park	52	\$2,715,596.15	115	\$1,866,395.17	99	\$1,667,510.09	-16	-13.91%	47	90.38%
Total	128		281		270		-11	-3.91%	142	110.94%
	Condo / Townhouse		Condo / Townhouse							
	Dec-07		Dec-09		Dec-10					
	Number	Avg. Price	Number	Avg. Price	Number	Avg. Price	Chng.	Chng. in %	Chng.	Chng. in %

							in #	%	in #	
Teton Village	43	\$2,068,965.09	65	\$1,435,590.77	77	\$1,537,701.30	12	18.46%	34	79.07%
Pines / Aspens	19	\$793,784.21	20	\$576,345.00	22	\$765,000.00	2	10.00%	3	15.79%
Town and South Park	32	\$852,364.06	85	\$664,949.41	87	\$496,964.36	2	2.35%	55	171.88%
Total	94		170		186		16	9.41%	92	97.87%
	Homesites	Homesites	Homesites							
	Dec-07		Dec-09		Dec-10					
	Number	Avg. Price	Number	Avg. Price	Number	Avg. Price	Change in #	Change in %	Change in #	Change in %
Teton Village	6	\$3,781,666.67	12	\$3,142,083.33	17	\$3,765,000.00	5	41.67%	11	183.33%
West Bank	26	\$2,750,722.69	34	\$2,505,530.38	48	\$2,648,791.67	14	41.18%	22	84.62%
Buttes and North	55	\$4,128,840.91	81	\$4,071,135.80	66	\$3,567,742.42	-15	-18.52%	11	20.00%
Town and South Park	40	\$3,159,800.00	93	\$1,572,763.44	77	\$1,142,167.53	-16	-17.20%	37	92.50%
Total	127		220		208		-12	-5.45%	81	63.78%
Overall Total	349		671		664		-7	-1.04%	315	90.26%

The preceding table arrays the increase in listed inventory in the major market segments of Teton County. Areas such as the condominium market north of the Town of Jackson or the market segment south of the Snake River Bridge were not specifically addressed due to the inconsistencies typically caused by the limited amounts of data points in these areas. Overall, this analysis shows that, on average, buyers have slightly less inventory (a decrease of 1.04%) to select from when property shopping in Teton County at the end of 2010 as compared to 2009. A move of this magnitude does not

represent a significant decrease in available inventory, but is positive in the fact that inventory, on average, did not expand. However, comparing current inventory levels to those experienced during the more robust market of 2007, it is noted that inventory has nearly doubled in the market segments of single-family homes and attached homes. The largest category of increase in inventory is Teton Village vacant land. However, this is due to a relatively small starting inventory of six lots. Following this segment in magnitude is the attached home market for Jackson and south of Jackson market area, which showed an inventory growth of 171%. West Bank single-family residences showed the next greatest inventory growth between 2007 and 2010 (141%). However, the low starting inventory of 34 homes in 2007 may also be contributory to this greater percentage. To date, the West Bank property segment has been one of the more resilient in limiting value loss despite this inventory buildup. This resiliency may be due to a lesser prevalence of bank owned listings and short sale properties in the resort segments than the “in town” and “south of town” market areas. Currently, the Teton County MLS reports that the concentration of homes that are either bank-owned or have the potential to be a short sale is 59.38% greater than in the West Bank market segment and 22.36% greater than in the Teton Village and Aspens/Pines market area.

Single-Family and Attached Home Properties Listed as Bank Owned or Short Sales

Source: Teton County MLS

Market Area	# of Listings	Bank Owned or Short Sale	%
Teton Village	86	8	9.30%
Aspens - Pines	43	4	9.30%
West Bank	56	4	7.14%
North of Town / Buttes	73	1	1.37%
Jackson / South Park	167	19	11.38%

In Summary

The Teton County Real Estate Market had, in recent history, experienced robust growth in sales volume and price. This trend largely continued through 2007, with the onset of recessionary tendencies triggered by what has come to be referred to as the “mortgage crisis” in mid-summer 2007 not causing a significant impact to 2007 numbers. However, review of mid-fall 2008 numbers indicated that a market slowdown had settled on the local real estate market with year-end price points and active listing data signifying that a price correction has occurred. By year-end 2008, evidence of the correction had become tangible in most market segments in regard to decreases in the number of sales. This correction solidified itself during 2009, with all but the luxury real estate market demonstrating value loss of at least 30%. During 2010, downward value trends continued in most market segments. At the close of 2010 there appears a chance that the mid-to-upper-level market segments are stabilizing. However, entry level housing

appears poised for more devaluation, until the inventory of distressed properties can be worked through.