

REAL ESTATE MARKET OVERVIEW

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Sailing into uncharted waters is the best way I can describe the current real estate market. Through most of 2008 we were in a slow market – limping along. In September–October of 2008 when chaos hit the financial and credit markets people became paralyzed and the “faucet of sales” was turned about 95% off! With high levels of interest and much showing activity we will hopefully start a return to a market that is sluggish but at least not stuck. Through the end of the year 2008 we find our overall market closed volume down 49% and our number of transactions down 46%. However, I find it amazing that our overall average sales price is only 6½% down (\$776,375). These statistics are representative of all property types including – single family homes, condominiums and vacant land.

The Park City area first felt the beginnings of this new market in October of 2007 and really saw things get tougher in 2008. We seem to have been one of the last real estate markets to feel the downturn of the national housing market, etc. We hear that we have been somewhat insulated from the severity of current events that are being felt in most other real estate markets *until recently*.

With a large amount of interest still being shown by prospective buyers, one of the biggest questions is “What will happen to prices?” They have held up amazingly well throughout 2008. However it seems highly likely that we will see prices decline further the longer we stay in this slow market. Many of these interested buyers are sitting on the fence or “bottom feeding” because of their concerns for what is happening to the national financial markets, the national housing market, the stock market and the international economy. We find many people trying to guess the bottom of the market because of their strong desire to have a home in the Park City area. Even though the Utah state economy has stayed relatively strong so far, Park City’s real estate market uniquely finds itself more affected by national events as referenced above, because most of our buyers come from out of state.

It becomes increasingly difficult to project accurately what will happen in the Park City market in 2009, as we see the rapidly changing events in our national and international economy. When you try to project the bottom of the national housing market and the resolution of much of the financial crisis you hear anything from mid year 2009 to the beginning of 2010.

I believe that Park City has a very positive chance of recovering sooner than many areas of the United States, to some degree, because we were the last to be affected and hopefully we are the first to emerge as things get better. When you look back and realize that as we descended into these difficult times very little was being done until we were overwhelmed by the problems. Now we see incredible things of a historic nature being done by our national government and other countries around the world to get us through this crisis. 2009 should only be better as the following unfold:

- **The \$700 Billion** National economic rescue bill (TARP) starts showing some results.
- **The government support** of the automobile industry takes hold.
- **The lowering of interest rates**, not only nationally but internationally, occurs.
- **FDIC coverage** moves from \$100,000 to \$250,000.
- **Money market accounts** become insurable.
- **The G-7 countries** are working on this. The top 20 international economies are working on this.
- **New regulations are put in place** to stop market manipulations by hedge funds, commodities traders and other people who were making the market into a giant crap game for their own gain.

- ***New leadership comes to the country*** that will hopefully inspire confidence and follow through with these programs and more to help things improve more rapidly and restore confidence to Americans and the rest of the world.
- ***President Obama's ambitious recovery program*** (\$800 billion to over a trillion).

With all of these things going for us in 2009 things should in the very least start to improve a little bit at a time as we approach putting these problems behind us.

In the meantime, we still have people buying and selling real estate in Park City, Utah. Many sellers who have various motivations are pricing their properties at incredible bargains and many buyers who do not want to wait while others try to predict the bottom of the market are moving ahead. We hear many reasons from our buyers on why they are moving ahead. Three of the most compelling reasons we've heard are:

- ***"This is a long term investment*** for our family and not something we are speculating on and trying to flip for gain in the next year or two. Therefore we're not worried about long term appreciation. We know this will be a good investment."
- ***Quality Time Remaining*** sums up a lot of emotional reasons why people buy and will continue to buy in our area. Many people look at the life left ahead of them and feel that they have worked hard and deserve a vacation home or new primary residence and they see this purchase as an opportunity to change and improve the quality of their lives. Many buyers use their purchase as an opportunity to get together with their family in a healthy robust environment and to enjoy the incredible lifestyle that Park City has to offer. They are asking themselves, "How many more years do I have to put off making this wonderful change in my family's lifestyle?"
- ***And last but not least,*** I know of no other beautiful mountain resort like Park City that is ***a 45 minute easy drive from an International Airport.*** This continues to be a large factor in buyers choosing this area over other equally beautiful mountain resorts.

Hopefully we are through the worst of it. No one expects everything to heal overnight or to "bounce back" but there is every reason to look with positive optimism to the future of the Park City real estate market. •



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