

MARKET PERSPECTIVE

Misleading Pricing Data

Blog post written by Tim Estin, MBA, GRI, February 22 - March 1
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Over the weekend of March 1, the Wall Street Journal had a small article in its "Heard on the Street" section titled "Signs of Rot in Big Apple Property". It explains the likely reason why median Manhattan prices have remained stubbornly high making it appear that the NYC real estate market has been more resilient to the economic downturn than it really is.

That is a facade...median pricing info is gathered on a rolling 12 month-to-month basis resulting in a price lag that doesn't reflect current pricing even though in the past year Manhattan transaction volume - like that of Aspen - is off an abysmal 45-50%.

Last week, I posted to www.EstinAspen.com blog the Land Title's Jan 2009 Pitkin County Real Estate Summary and Raw Data in which Aspen's single family average and median prices show big increases from a year ago:

- Average single family home price for 2009 is \$5,652,528 up 10% from 2008 (full year).
- Median single family home price is \$6,237,500, up 52% from 2008 (full year).

However, these numbers account for the past 12 months activity and cleverly mask present 1st Quarter, 2009 market realities. The Universe, and that includes Aspen as well, has fundamentally changed in the past four months, but Land Title's numbers indicate otherwise. Do we - brokers, appraisers, sellers, buyers - really want to wait a full year to accept what the market is telling us right now?

For example, the well known \$37.5M Snowmass home purchase last May '08 by a Russian oligarch continues to be factored into these average and median price figures. And it won't be until May 2009 that that particular sale is no longer included within Pitkin County average sale and median sale figures. Does one think that purchase doesn't skew prices upwards significantly?

Few real estate professionals in the Aspen market explain this, choosing only to recite Land Title numbers without qualification, resulting in perpetuating a myth of increasing, or sustained, values.

The result: sellers are resistant to lowering prices when propped up by inaccurate current pricing information; buyers - and they ARE out there - are resistant to stepping up to make offers and would rather wait until prices "get real"; deals don't happen; product doesn't move. The stand-off continues and one might argue that it's the 'professionals' fault because dated pricing info is what everyone's clinging to and parroting.

Although there's been an incremental increase in activity this February over January and December, overall our market is stalled similar to other high end real estate areas. (See Aspen Real Estate Archives on www.EstinAspen.com).

While no property owner wants to hear values are down, it is only when our marketplace starts to acknowledge what's really happening with prices - they are falling as evidenced by the daily barrage of price decreases in the local Aspen REALTORS b2b and recent closings at significant discounts to list price - that transaction activity will start to increase, a clear indication of the market stabilizing and returning to health.