PARAGON PROPERTIES

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2011 Newsletter & Market Report

A MESSAGE FROM CHUCK KARPAKIS
CPA, GRI, Principal Broker

As we celebrate the Holidays with family and friends, it is a time to count our blessings and reflect with appreciation on those who have enriched our lives. We at Paragon Properties are especially thankful to our valued real estate clients who we have served over the past 25 years. Your loyalty and patronage have helped us endure the worst recession in over 60 years which has taken a toll on our profession, eliminating 43% of Salt Lake area Realtors since the real estate market peaked in early 2007.

We have weathered the storm and are optimistic that the market has stabilized as discussed in my son, Stephen Karpakis', article below. One of our preferred lenders, Mark Malouf of PHC funding, has also written an article for this newsletter concerning mortgage rates and the lending environment.

Paragon Properties continues to effectively market entry level and move-up homes, condos, duplexes, apartments and commercial properties all along the Wasatch Front. We have also made inroads into the luxury home market in recent years including sales over $1,000,000 by Mike Vaculin, Jim Klekas, Bob Daskalakis, Stephen Karpakis and me. We have demonstrated that no sale is too small or too large for our agents and brokerage to handle. For all your real estate needs, please contact your Paragon Properties agent for a complimentary consultation and professional service with a caring attitude.

Warmest regards for a healthy and prosperous 2012.

THE PROVERBIAL MARKET 'BOTTOM'
are we there yet? *by Stephen Karpakis*

The quick and simple answer is yes. The Salt Lake Valley housing market has shown signs of stabilizing in 2011. As depicted in the graph, values plunged severely in the second half of 2010, but have subsequently leveled off in 2011 with the average home value remaining fairly constant, right around $235,000, throughout each quarter of the year.

Although the 2011 average single family home selling price of $235,000 is down 9.6% compared to 2010's average of $260,000, a recent surge in sales has likely curbed this sharp decline in values and has contributed to market stabilization. Interestingly, home prices are now down 25% from their 2007 peak and back to a level where they would have been if the more healthy and sustainable upward trend of 3% per year had continued from 2004, avoiding the "bubble" entirely. The red, regression, or "best fit" trend line on the graph demonstrates this.

Current home values coupled with 60-year low interest rates have created a level of affordability, in terms of average monthly payment, which hasn't been seen in over a decade. This is the probable force behind the 9% increase in the number of sales this year over last. This increase is especially significant considering the number of sales were artificially bolstered by tax credits in Q2 of 2010. The fact that the market is self-generating an increase in sales this year, without special tax incentives, suggests values have finally fallen to a point where more buyers are deciding to enter the market versus other alternatives, such as renting or combining households.

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Further, the outlook for Utah's overall economy in the coming years is quite good. Utah's unemployment rate has averaged about 2% below the national average in recent years and improved for the third consecutive month in November, dropping to 6.4% from 7% in October. Businesses are now looking at Utah more than ever as an ideal place to invest. Salt Lake City was recently named by FORTUNE as one of the "15 best new cities for business" in the **world,** along with only one other US city. Utah made the spotlight again for our job prospects in FORBES' "6 Top Job States." Salt Lake has also gained national recognition in regards to its housing market. In a recent article, BUILDER MAGAZINE named Salt Lake City as the # 3 Healthiest Housing Market in the country and predicts our home prices will increase 4.7% in 2012. This ranking is based on several economic indicators tied to home sales. Another bullish forecast comes from S&P'S CASE SHILLER HOME PRICE INDEX which predicts Salt Lake Valley home prices will rise by .3% from Q2, 2011 to Q2, 2012 and 8.9% from Q2, 2012 to Q2, 2013.

Considering our personal experience and analysis of the current Salt Lake housing market along with encouraging economic prospects for our state as a whole, we look to 2012 with optimism. We predict home prices will remain fairly stable throughout the next year. Although some of the forecasts discussed above could be somewhat overly optimistic, we do anticipate modest price gains toward the later part of 2012 and into 2013. An exact market "bottom" may be hard to define, but we believe we are finally experiencing it and sense the Salt Lake Valley market is on the brink of a turning point.

... BUT WHAT ABOUT FORECLOSURES?

Foreclosures and distressed properties have probably been the most discussed, and widely covered housing topic by the media in recent times creating a widespread sense of fear about home values. Elevated foreclosure levels over the past few years have indeed had a significant softening effect on the housing market. The Salt Lake Valley is no exception as we've had some of the highest foreclosure rates in the country at times. However, we are now seeing some positive signs through current foreclosure conditions. According to REALTYTRAC data, foreclosure activity (meaning pre-foreclosure notices, auctions, and bank repossessions) in Salt Lake County over the last 6 months has decreased by 32% compared to the 6 months prior. Most mortgages that originated after the "credit crisis," under much tighter lending standards, are performing very well. Therefore, new foreclosure activity should keep decreasing as banks continue to work through the "toxic" loans that were made during the market bubble era, and eliminate current REO inventory. In many cases banks are also granting loan modifications and short sales. The average price of bank-owned properties in the valley has remained fairly constant over the last three quarters and actually increased by about 3% from the 3rd to 4th quarter. This suggests that foreclosure prices have also stabilized and won't have as much negative impact moving forward.

Can FIXED MORTGAGE RATES *get any lower?*

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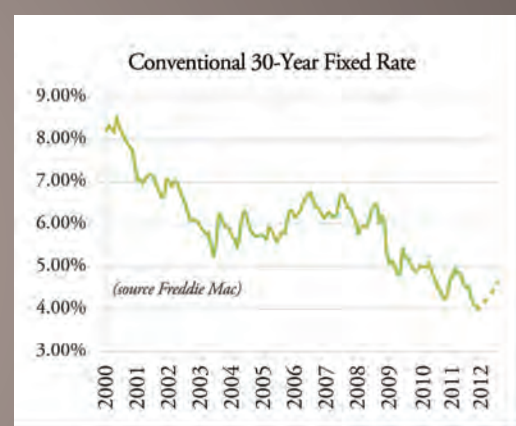

At 3.75% for a 30 year fixed mortgage, interest rates are at historical lows not seen in 60 years and it is unlikely they will drop further. Rates trended downward over the last year, influenced by a sluggish US and Global economy. Intervention by the Federal Reserve in purchasing long term treasuries has kept rates low to help stimulate economic activity.

The US economy now appears to be gaining momentum with continued improvements in key indicators such as unemployment, housing sales and consumer confidence. However, our interest rates remain low for the time being, largely due to the European Debt Crisis, which encourages an infusion of foreign and domestic money into US treasuries.

It is likely that we will see interest rates increase over the next year as positive news and economic growth in the United States eventually override the dampening effect of the European economy. The small, dotted portion of the line on the above graph represents a forecast of 30 year mortgage rates by "The Forecast Center," and indicates a steady upward trend during 2012.

Interest rates appear to have hit a bottom, along with housing prices (as discussed in the article on the cover), making this the most affordable and opportune time to purchase a home in years. I can help you take advantage of this or determine if a refinance would benefit you. Please contact me for a free consultation and mortgage pre-qualification. I will work effectively with your Paragon Properties agent to help you smoothly navigate the process of buying and financing your next home.

PARAGON PROPERTIES FEATURED HOME

6190 South Murdoch Woods Lane

Listed by Bob Daskalakis and Co-Agent Stephen Karpakis, this stunning custom home, owned by former Jazz star Deron Williams, is set in the beautiful and exclusive Murdoch Woods gated community in a prime Holladay location. The design is elegant, yet casual and emanates style and warmth. With its beautiful finishes and abundant amenities, this fine home provides 10,000 square feet of luxury living at its best.

Take Virtual Tour at paragonproperties.biz

RECORD PARAGON PROPERTIES SALE IN 2011

2411 Walker Lane

Last year's featured home, at 2411 Walker Lane, priced at $3,300,000, was sold in September. This amazing estate was listed by Chuck and Stephen Karpakis. It was an entirely in-house transaction as Paragon agent Bob Daskalakis procured the buyer. The sale was a record high price for Paragon Properties and also represented one of the largest sales in the valley over the past few years.

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A FEW OF THE PROPERTIES WE SOLD IN 2011

thanks to our valued clients









OUR MISSION

We aim for excellence as we provide real estate services to our buyer and seller clients. This includes gaining an understanding of our clients needs, and using our education, experience in the real estate market, and the latest in technology, to meet client needs. Our goal is not only to focus carefully on the transaction at hand, but also to build a long-standing reputation of service with integrity. We aim to provide professional real estate service with an enthusiastic, caring attitude while we effectively communicate with our clients.

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