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SAN JUAN ISLANDS, INC.

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The first quarter results for San Juan Island were pretty exciting as the real estate dollar volume reflected an increase of 31% as compared to the same three month period in 2016; darn nice production for the start of the year. The number of transactions reflected an increase of 30%. Overall, the County had a 23% increase in volume and 28% increase in the number of transactions.

SAN JUAN ISLAND TRANSACTION RECAP

TIME PERIOD	NUMBER OF TRANSACTIONS	DOLLAR VOLUME
First Quarter 2017	49	\$24,756,540
First Quarter 2016	38	\$18,801,234
First Quarter 2015	35	\$22,719,126

Coldwell Banker San Juan Islands was up 49% as compared to last year same period.

The most obvious contributing factor to the healthy increase in volume is the volume attributed to the high-end sales. On San Juan, we had 5 sales close in the first quarter that were in excess of \$1,000,000 each as compared to the 2 sales in 2016 for the same period.

The County had a total of 6 high-end sales the first quarter; 5 were sourced to San Juan and 1 was on Shaw Island. This number for the County is equal to the number in 2016 during the first quarter. The sales volume for the high-end properties on San Juan Island was \$9,250,000 or 37% of the entire volume. The number of high-end sales was 10% of the total number of transactions. The average sales price for the 5 sales was \$1,850,000.

For the entire year of 2016, the high-end volume on San Juan represented 32% of the total and the number of transactions represented 9%. The high-end sales volume for the County during 2016 was 28%.

Pending high-end sales on San Juan includes a total of 6 properties with a grand total of 8 in the County.

One of the sales this first quarter for San Juan was the Harbor Village Office/Retail/Health Club complex. This sale is strong evidence of our market recovery. This property has been off and on the market for over 18 years with several agents having an opportunity to list it, including myself. I had it listed in 2001 for \$3.8; wasn't I the optimistic agent with short hair back then? This property closed 16 years later at \$2,250,000 with local buyers.

Agents have benchmarks during a market recovery and this sale was surely one of them due to length of time on the market. The future use for the complex includes the second floor offering hostel accommodations with many other improvements planned.

Historically, the first quarter of each year has been volatile and this year is no exception, unlike last year, the volume and transaction number reflects a favorable increase of 31% where last year it was a decrease of 20%.

Typically, during this time of year, new properties are listed and inventory levels increase for the spring/summer; however; this is not the case this year. It may have been the weather but the more likely reason is attributed to continued market recovery. As many of our sellers are second home owners, they may have decided to wait for more recovery as it is not imperative that they sell now, waiting may yield them a higher price. Further some property owners have jumped on the Vacation Rental By Owner band-wagon and must be enjoying the rental income and not ready to sell the investment.

Per the historic median home prices, we reached the bottom of the recession in 2013 and our inventory has been on a decreasing trend since July 2013. Our inventory at that time for San Juan was 418. As of April 10, 2017, we have a total of 249 for all types of listings, of which 36 are under contract and in escrow. On April 2, 2016 we had a total of 332 listings with 42 in escrow. This is a 25% decrease for the one year period. Below please find details about the Active and Pending property listings with a breakdown for property types.

Further evidence of why the inventory is not increasing is our days-on-market is decreasing. For the first quarter, on San Juan, the average days-on-market for homes was 216 as compared to 310 for the same period in 2016. For land, the days averaged 662 as compared to 759 in 2016. This includes all price ranges but unfortunately isn't 100% reliable due to property listing histories which include the resets from changing agents and the always popular, off market periods.

SAN JUAN ISLAND INVENTORY RECAP As of April 10

Type	Active	Pending	Percentage Of Pending	Total
Single Family Homes, Condos, & Manufactured	92	28	23%	120
Vacant Land	111	7	6%	118
Commercial	9	1	.10%	10
Multi Family	1	0		1
Total	213	36	14%	249

As noted in the chart, the majority of properties in escrow are single family residences, although land sales continue to improve on San Juan. The first quarter we closed on 12 land sales as compared to 6 the first quarter in 2016. Many buyers are still choosing to buy existing homes and remodeling since the cost is less than new construction. As inventory decreases in the residential category, buyers will reconsider building custom and land sales will reflect more recovery.

Another data source we use to analyze market trends is the movement in our medium home price but it is only reliable if a 12 month term is reviewed. The medium home price for the County for the preceding 12 month period ending April 1, 2017 was \$440,000 as compared to the medium home price for the 12 month period ending April 1, 2016 when it was \$435,000. This is a 1.1% increase however; this is not an appreciation calculation.

Overall, we are in a good market. Sellers are **STILL** negotiating off their sales price; an average of 6.1% for homes and 13.4% for land during the first quarter. This percentage is a decrease in the amount negotiated for homes from 2016 when the average percentage was 6.4%. The land average percentage of negotiation in 2016 was 10.10% which is less than 2017. I attribute the average increase in negotiation for land in 2017 to a higher number of land sales occurring.

Buyers are **STILL** able to process their due diligence in order to determine if the property is suitable, unlike the Metropolitan markets nearby where some buyers must waive their rights in order to attract the seller's attention. Due diligence is a good thing for both buyers and sellers. Read 2013 Douglas v. Visser out of Bellingham if you need more details on how important due diligence can be in a transaction. Wash Ct App.

As always if you need additional information, please be sure to contact me.