



SAN JUAN
ISLANDS, INC.

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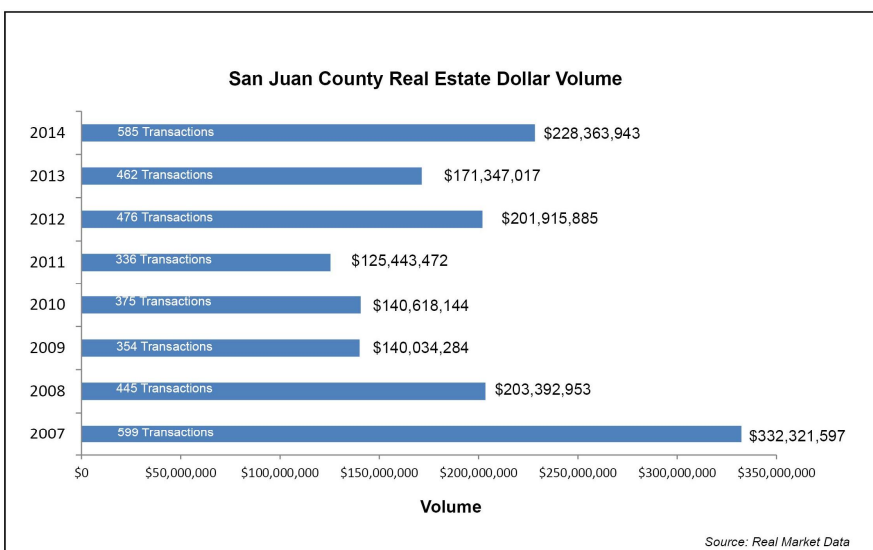
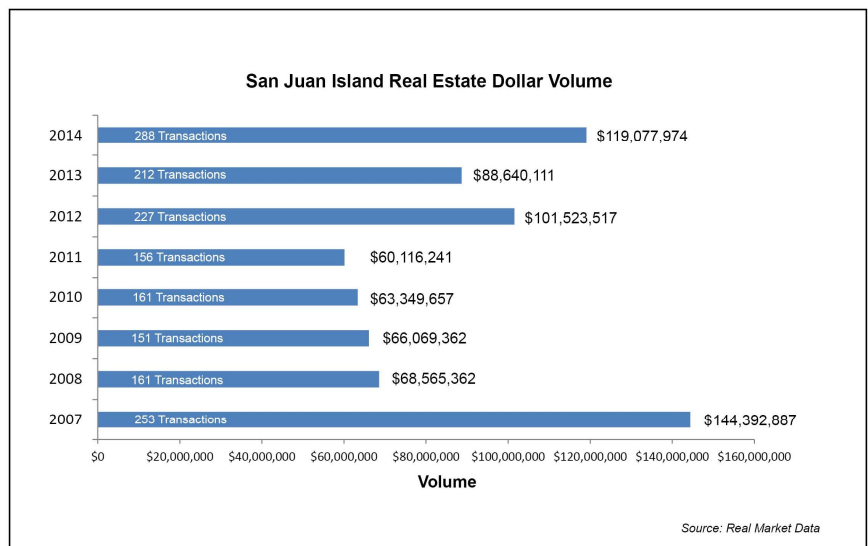
SAN JUAN ISLAND REAL ESTATE MARKET SUMMARY

In reviewing the year-end results, the sales dollar volume for the real estate market on San Juan Island per the Real Market data report was \$119,077,974, which reflects stable and controlled growth. We enjoyed an increase in volume of 34.5% over year ending 2013 when the volume was \$88,640,111.

On San Juan Island we closed an average of 24 transactions per month which is up from the 17 per month in 2013 or a 41% increase.

Total County volume in 2014 was \$228,363,943 as compared to \$171,347,017 in 2013. Overall, the County's volume increased by 33.5%.

The County closed an average of 49 transactions per month as compared to the 38 per month in 2013 or a 29% increase.



To recap year-end volumes, San Juan's volume was up 34.5%, Orcas was up 43%, Lopez was up 11% and the non-ferry serviced islands and Shaw were up 27%.

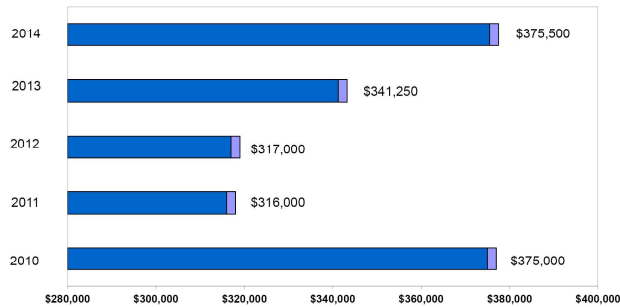
It is a pleasure to report that our real estate market is continuing to recover with land sales lagging somewhat.

The Coldwell Banker San Juan Islands Inc. office did well this year with 8 of our agents closing volume exceeding their volume in 2005, which was our highest volume year.

As you may recall, the volume peaked in 2005 and totaled \$210,663,000 on San Juan Island and \$415,774,532 for the County. Our prices peaked in 2007.

Basically, our volume in 2014 was similar to between years 2007 and 2008.

San Juan County Median Sales Price for Previously Owned Single Family Home on Less than 5 Acres



Source: Real Market Data

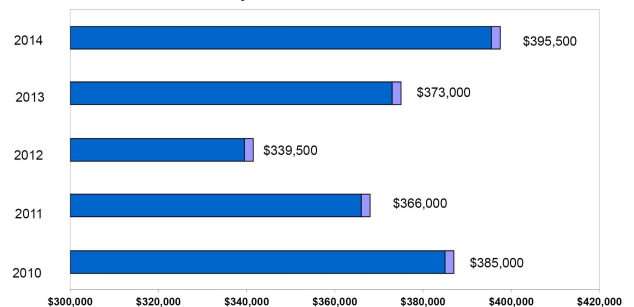
Further positive data includes the median home price for the County is up 10% over year ending 2013. The non ferry serviced islands plus Shaw were down, but San Juan, Orcas and Lopez had increases of 6%, 23.5% and 30%, respectively.

The median home price cited is for previously owned homes on less than 5 acres. The median is a typical market price where half of the homes or lots sold for more and half sold for less.

Overall the County's median prices remained stable. Increases in median prices indicates our market is

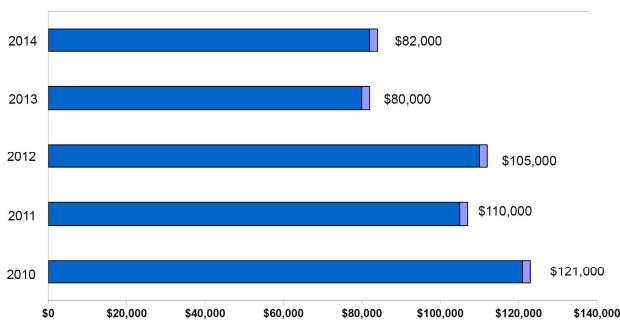
headed in the right direction but it is not a measurement of price appreciation. The actual computation of appreciation or depreciation would include analyzing a number of properties that were sold in 2013 and again in 2014. Then one would average those gains or losses to produce the actual appreciation or depreciation percentage. Due to how small of a market we are, it is difficult to have a reliable number of similar properties that transact in a two year period. Nationally, the economic forecasters are able to cite appreciation in the large metropolitan markets as they have large amounts of data to rely upon.

San Juan Island Median Sales Price for Previously Owned Single Family Home on Less than 5 Acres



Source: Real Market Data

San Juan County Median Sales Price for Land and Platted Lots



Source: Real Market Data

For monitoring our market, reviewing the median prices over an extended period of time is the best tool we have to offer. Using the average price is too volatile. Noting that our median prices are on an upward trend is the best news for those of us that own property here.

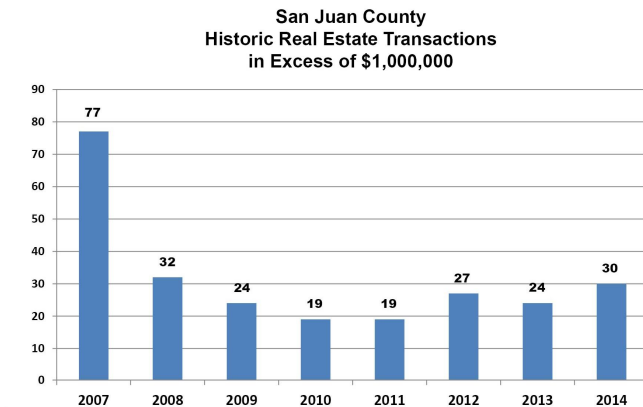
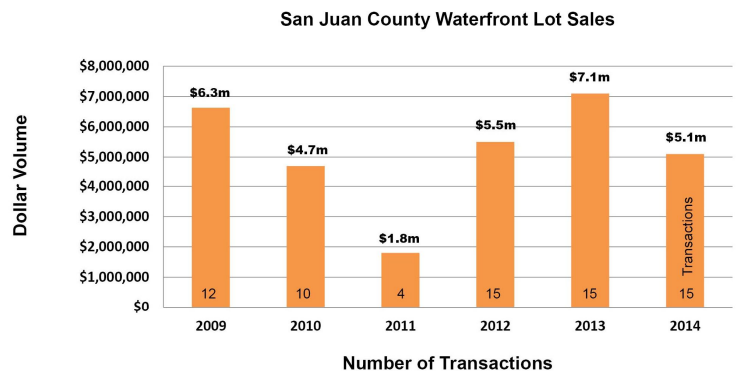
The median lot prices vary wildly for each island. San Juan had an increase but Orcas, Lopez, Shaw and the non-ferry serviced islands had decreases in the median lot prices. Overall the County had a slight increase of 2.5%. Again, these variations are attributed to the size of our market and how few land sales occurred in 2014. Waterfront lots continue to sell at a slow pace. Per the NWMLS, the closing

numbers for waterfront lots include San Juan with 3, Orcas with 3, Non-ferry serviced islands with 4 and Lopez with 5. The total for the County was 15. On San Juan all 3 parcels were purchased by adjacent property owners to increase their existing parcel size.

Historically, waterfront lots were deemed more desirable with individuals purchasing for future retirement, investment or for the construction of a primary or second home. In our market, we have no appreciation so the investor is removed from the equation and for your money, you can purchase more existing home than you can construct. The purchaser that intends to buy now and build in the future can only speculate what the building regulations will be which may be an unacceptable risk to the majority.

We have monitored the real estate market here for over 20 years; through the various regulation updates such as the Critical Area Ordinance and the market ups and downs. I believe our market has recovered nicely from the recession and we can no longer blame the recession totally for the low level of waterfront lot sales and prices. During property showings, it is apparent that buyers are still concerned about purchasing waterfront lots due to the uncertainty, expense, and impact associated with restrictive building regulations.

The chart to the right reflects the historic waterfront lot sales for the County.



The only upside to the transactions for waterfront lots is that neighbors and buyers are able to purchase the parcels at very low prices from those sellers that need or want to sell now.

Per the chart, the average price in 2014 reflects a decrease from 2013 and is down 36% from 2009.

I know of several lot owners that have decided to remove their waterfront lot from active marketing in hopes that over the next few years, the Shoreline Management Program will become final and the law suits may clarify the issues,

In our market, high-end sales contributed to the increase and stabilization of the median home price. Historically, they have been a large part of our volume. Per the Real Market Data report, the County had 30 sales in excess of \$1,000,000 in 2014 as compared to the 24 in 2013. San Juan had the majority with 17 sales. Orcas, Lopez, and non ferry islands and Shaw had 8, 3, and 2, respectively.

Per the NWMLS on January 19th, we currently have 612 listings for all types of properties in the County, of which 282 are located on San Juan Island. Last year at this time the County had 689 and San Juan had 310 listings, which is an 11% reduction for the County and a 9% reduction for San Juan.

In the County we currently have 65 pending transactions and on San Juan we have 28, which is a 71% increase for the County and a 55% increase for San Juan over last year at the same time. This higher level of pending transactions bodes well for a strong first quarter. It also suggests merit to sellers having their property on the market during the winter versus waiting until spring. Many sellers have removed their properties from active marketing and plan to re-list in the spring. At the present time, we have buyers in our market and inventory is down which equates to less selection for the buyer which will favor the sellers currently listed during the negotiation process.

Per the NWMLS, other Counties in the state with a similar number of listings i.e., 600-700 listings, have a percentage of pending sale range of 8-11% in January. Our County is currently at 10.6% and San Juan is at 10%. Last year at this time we were at 5.5% and those other similar Counties were all above 9%. Counties reviewed include Pacific, Clallam and Chelan; all primarily second home markets.