



SAN JUAN ISLANDS, INC.

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SAN JUAN ISLAND REAL ESTATE MARKET SUMMARY

The first quarter results for San Juan Island were very exciting, as the real estate dollar volume was up 36% from the same three month period in 2014. The number of transactions was 50 which is down 8%. This decrease in transaction number but increase in volume is a result of 7 transactions that closed in excess of \$1,000,000 each during the first quarter on San Juan. Having recovery in the high-end of our market is a very positive sign. Over time, high-end sales will increase our median home price and hopefully lead to appreciation and more confidence in our recovery.

SAN JUAN ISLAND TRANSACTION RECAP

TIME PERIOD	NUMBER OF TRANSACTIONS	DOLLAR VOLUME
First Quarter 2015	50	\$29,555,668
First Quarter 2014	54	\$21,691,303
First Quarter 2013	24	\$ 9,296,554
First Quarter 2012	29	\$11,900,101
TOTAL 2014	288	\$119,077,974
TOTAL 2013	212	\$ 88,640,111
TOTAL 2012	227	\$101,523,517
TOTAL 2011	156	\$ 60,116,241

Overall, the County had a 48% increase; to recap, San Juan was up 36%, Orcas was up 52%, Lopez was up 169% and the outer island plus Shaw were up 14%. The other islands lacked as many high-end sales as San Juan. Only Orcas had high-end activity and closed 2 transactions in excess of \$1,000,000 each.

Another encouraging sign is the number of transactions for land sales on San Juan increased 50% as compared to first quarter of 2014. Land sales will be the last property type in our market to recover.

As noted by the chart, the first quarter of each year has had increased volume continually since 2013. This year's first quarter results are very similar to 2007, when the total was \$29,053,927.

This year, our inventory has not increased to the levels of last year same time. Per the NWMLS on April 10, we had a total of 335 properties listed, of which 41 were in escrow. The amount of transactions in escrow is also encouraging but actually lower than last year. On April 9th last year, we had a total of 392 property listings with 51 in escrow. The current inventory is 15% lower. Typically, inventory has increased in the Spring but this year we actually decreased the level 6% during the period of December to April. Below find details about the current property listings.

SAN JUAN ISLAND INVENTORY RECAP

Type	Active	Pending	Percentage Of Pending	Total
Single Family Homes, Condos & Manufactured	145	31	17.6%	176
Vacant Land	136	6	4%	142
Commercial	8	4	33%	12
Business Opportunity	5	0	0	5
Total	294	41	12.2%	335

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Per the chart above, for all types of property, 12.2% of our inventory is PENDING. This percentage is very similar to other second home markets such as Port Ludlow and parts of Island County. The metropolitan areas that have more recovery are in the 34%-58% range.

During 2014, sellers of homes, condominiums and manufactured housing negotiated on average 6.14% off their list price at the time of sale. The average days on market for this category was 317. Sellers negotiated on average 10.3% off list price for the land sales and the average days on market was 483. For those transactions in excess of \$1,000,000 each, sellers negotiated on average 11.5% off listing price with an average days on market of 284. Historically, the sales in the high-end of our market have always had a higher level of negotiation which I attribute to those sellers having more room to move.

FIRST QUARTER SOLD TRANSACTION RECAP REPORT

PRICE RANGE/TYPE	\$0-\$1,000,000—RESIDENTIAL	\$1,000,000 PLUS—RESIDENTIAL	LAND—ALL TYPES
NUMBER OF TRANSACTIONS	25	5	10
AVERAGE DAYS ON MARKET	344	670	223
% OFF LIST AT TIME OF SALE	9.39%	9.5%	16%
% OFF ORIGINAL LIST PRICE	14.1%	11.7%	24.6%
AVG PRICE REDUCTION AMOUNT TO ACHIEVE SALE	\$69,559	\$231,998	\$134,529

Based on the data contained in the chart above, sellers are negotiating this first quarter on average more than last year with the exception of the high-end. I attribute this to sellers feeling confident about our market recovery and perhaps not adjusting their prices as they did last year but then having to adjust during the negotiations as the buyers still have the advantage due to the amount of inventory.

Of the 145 homes, condominiums and manufactured housing currently ACTIVE in the NWMLS, 27 have been on the market for less than 100 days. The remaining listings, 118 have been on the market for an average of 462 days and counting.

As evidenced by the average days on market, the amount of our recovery has yet to correct the overpricing in our market. Even though the metropolitan areas surrounding us are fully recovered and enjoying appreciation, pricing in our market is incredibly important. Many of our sellers are not as motivated and content to wait until the “right” buyer to come along, which equates to not making the decision to lower their price to attract that buyer and expedite the process. Ultimately, it is their property and their decision.

Based on last year’s absorption rate and current housing inventory, we currently have a 9.9 month supply of homes, condominiums and manufactured housing. The supply calculation assumes a point in time with no material changes to the market. For the inventory priced under \$400,000, we only have a 4 month supply. As reported previously, a 6 month supply is a balanced market between sellers and buyers. For the homes priced over \$1,000,000, we have a 3 year supply. However, an increase in demand will change that.

As we have more recovery in our market, inventory will tighten, which has occurred in the nearby metropolitan markets resulting in multiple offers and bidding wars. Hopefully our market will recover at a sustainable pace as not all participants in bidding wars end up as happy campers.