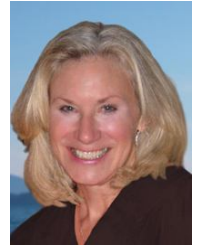




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# SAN JUAN ISLAND REAL ESTATE MARKET SUMMARY

The first quarter results for San Juan Island were interesting as the real estate dollar volume was down 19% from the same three month period in 2015, however; the number of transactions were up 12%. Overall, the County had a 12% decrease in volume. Orcas was also down in volume and transaction count but Lopez and Shaw and the outer islands were up in volume 8% and 47% respectively. Shaw and the outer islands only had 7 transactions and one was \$1.8 M so it doesn't take much too sharply affect the percentages.

### SAN JUAN ISLAND TRANSACTION RECAP

TIME PERIOD	NUMBER OF TRANSACTIONS	DOLLAR VOLUME
First Quarter 2016	56	\$23,822,208
First Quarter 2015	50	\$29,555,668
First Quarter 2014	54	\$21,691,303
First Quarter 2013	24	\$ 9,296,554
<b>TOTAL 2015</b>	<b>252</b>	<b>\$127,632,250</b>
<b>TOTAL 2014</b>	<b>288</b>	<b>\$119,077,974</b>
<b>TOTAL 2013</b>	<b>212</b>	<b>\$88,640,111</b>

Coldwell Banker San Juan Islands was up 1.3% as compared to last year same period.

On San Juan, the average price for all property types for the first quarter was \$425,396, as compared to the same period last year when the average price was \$401,690. This is an increase of 6% however; an increase in average sales price doesn't equate to appreciation but evidences a trend that is heading in the right direction.

Historically, the first quarter of each year has been volatile and this year is no exception. The first quarter production is impacted by factors such as weather and the bank financing process which causes regular transaction delays; new regulations went into effect in 2015.

As typical for this time of year, new properties are being listed but our total inventory remains very similar to the same period last year. As of April 12, we have a total of 330 listings of which 42 are under contract and in escrow. On April 2, 2015 we had a total of 335 listings with 41 in escrow. Below please find details about the current property listings.

### SAN JUAN ISLAND INVENTORY RECAP

Type	Active	Pending	Percentage Of Pending	Total
Single Family Homes, Condos, & Manufactured	133	31	19%	164
Vacant Land	135	8	5.5%	143
Commercial	15	3	1.6%	18
Multi Family	5	0		5
<b>Total</b>	<b>288</b>	<b>42</b>	<b>12.7%</b>	<b>330</b>

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As noted in the chart, the majority of properties in escrow are single family residences. Land sales continue to be sluggish although they are starting to pick up. 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 have more recovery.

As it relates to land development on San Juan, the majority of the long plats were processed back in the 1960s and 1970s and as the island is around 50% developed, it is apparent that development in the islands is a slow process due to lack of demand. Back then, buyers found the islands attractive as land was affordable and the building process was less restrictive. Since the sell and build out of plats during that period, the creation of new lots on the island has been extremely low. Some land owners process short plats (four or less lots) or Boundary Line Modifications to create new parcels but long plats are few and far in between. The majority of the town long plats developed have taken 10-20 years to sell out and the developer had to have deep pockets to wait for the absorption as the profit is in the last few lot sales. Many of the plats in the last 20 years would be defined as a “failed plat” by mainland standards which includes development and sell out in 2-3 years. In a few circumstances, the island developers were foreclosed upon. Plats such as Evergreen, Country Village, and Islander’s Addition all ending up selling the last of the lots to one of the affordable housing programs, typically at a bulk discount which I am sure wasn’t the developer’s intent, but a good result for the programs.

Land Development in the island is very difficult and it may be by design. The County has numerous regulations that could be defined as hurdles and associated costs. A few long plats have been processed in the County versus Town and experienced the same lack luster absorption pace. Our market is just not large enough to absorb a high number of similar lots all at once. I attribute this to lack of speculative builders due to high risk; most of the construction on the island is custom. Further, most newcomers to the island are not seeking curb, gutter and sidewalks with matching mailboxes, as that is what they are leaving, they prefer the more rural lots on the island.

Developers can’t afford to create lots on the island due to zoning, hookup fees and other regulations; the project proformas just don’t “pencil”. The time frame to process a long plat through the County is 4 months to 3 years subject to the creation of the infrastructure such as water, septic/sewer, storm water management along with mitigation for possible wetlands and other critical areas. Most developers are unwilling to go through the process and take the risk.

The population of the county in 2010 was 15,759 and was estimated at 16,180 in 2015 or a net growth of 85 people per year, which the recession may have impacted. The population in 2000 was 14,077 which equates to 168 people a year for the 10 year period ending 2010. That explains the question of why subdivision development is a high risk adventure on the island. If only 168 people are moving to the island and most are buying existing homes, the market for unimproved land will always be slow. Having said that, the future population predictions are for an increasing trend, although we have yet to meet some of the past predictions.

**Advice:** Don’t become a land developer on San Juan Island as it takes too long, costs too much and there is not enough demand. If you are interested in building a custom home, land prices are very good and selection is abundant.

### Land inventory

Price Range	Number of ACTIVE Listings	Number of PENDING
0-\$100,000	16	1
\$101,000-\$200,000	38	3
\$201,000-\$400,000	46	4
\$401,000-\$600,000	16	0
\$601,000-\$800,000	10	0
\$801,000-\$1,000,000	2	0
\$1,000,000 +	8	0

Possible indication of market recovery is four local agents purchased property in the County during the first quarter plus one agent from off island. Who better to know if the market is moving in a positive direction than local real estate experts? Three lots and two homes were purchased by the agents. This reflects agent’s confidence in the market recovery. Further evidence of market recovery is shorter real estate market update reports.