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SAN JUAN ISLAND REAL ESTATE MARKET SUMMARY

The second quarter results which complete the first half of the year for San Juan Island were very similar to 2014 as the real estate dollar volume reflected an increase of only **2%** over the same period. The number of transactions was down slightly with a **3%** decrease.

Overall, San Juan County's volume was up **5%** with 290 transactions in the first half of 2015, as compared to 269 in 2014 or a **8%** increase. Shaw and the outer non-ferry serviced islands dollar volume was actually down **32%** but their transaction numbers reflected an increase. The volumes on Orcas and Lopez reflected an increase of **9%** and **47%** respectively; go Lopez! Transaction numbers were similar to 2014. Volume increases with a decrease in numbers is an indication of higher priced property sales.

TRANSACTION RECAP REPORT

First Quarter	2015	50	\$29,555,668
Second Quarter	2015	79	\$27,880,152
First Half	2015	129	\$57,435,820
First Half	2014	133	\$56,371,551
First Half	2013	82	\$28,893,248
First Half	2012	83	\$37,430,741
First Half	2011	83	\$34,278,952

It is apparent that our recovery is nice and controlled which is favorable as a steady pace is more sustainable.

Sales in excess over \$1 M total 16 year-to-date in the County with San Juan enjoying 10, Orcas with 5, and Lopez with 1. The total is equal to last year for the same period. Only one of the sales in 2015 was to the Land Bank which was on San Juan Island. Currently 8 high-end sales are pending in the NWMLS for the County. Even though the sale activity appears healthy for the period, we have a long way to go before inventory is absorbed. The number of properties listed would be considered abundant in the category with San Juan offering 50, Orcas at 41, Lopez at 11 and Shaw and other islands at 24 for a grand total of 126 high-end listed properties. We are headed in the right direction with recovery entering this segment of the market. On San Juan, we had our first multiple offer on a property that was listed for over \$3 M and the result was a bidding war that was very favorable to the seller.

Our biggest obstacle in the path towards appreciation and full market recovery is that our inventory levels in most categories remain high. As of July 13, on San Juan Island, we have 394 properties listed as compared to 441 last year on July 22th. This year offers fewer properties but still too many to foster the transition in our market to favoring sellers over buyers. These numbers include the 42 pending this year and 40 last year.

Our inventory build-up was greater this year than last. Since March 2015, we had a **21%** increase in the amount of properties listed as compared to a **12%** increase from spring to summer in 2014. Apparently property owners that have been waiting for recovery believe 2015 is worth testing.

RECAP OF PENDING LISTED PROPERTIES BY PRICE ON SAN JUAN ISLAND

\$0 - \$400,000	\$401,000 - \$600,000	\$601,000 - \$800,000	\$801,000 - \$1,000,000	\$1,000,000+	Land	Other Commercial	TOTAL
15	6	2	3	5	10	1	42

RECAP OF LISTED PROPERTY CLOSINGS Y-T-D BY PRICE ON SAN JUAN ISLAND

\$0 - \$400,000	\$401,000 - \$600,000	\$601,000 - \$800,000	\$801,000 - \$1,000,000	\$1,000,000+	Land	Other Commercial	TOTAL
37	11	8	5	9	29	3	102

As per the chart below, the sellers of the homes that sold in excess of \$1,000,000 year-to-date, negotiated on average **14.5%** off their list price at the time of sale on San Juan Island. The most favorable home price category for sellers is in the range of \$400,000-\$600,000 with the lowest negotiation and Days-on-Market. Land and high-end home listings favor the buyers the most.

RECAP OF LISTED PROPERTY CLOSINGS Y-T-D ON SAN JUAN ISLAND

	\$0 - \$400,000	\$401,000 - \$600,000	\$601,000 - \$800,000	\$801,000 - \$1,000,000	\$1,000,000+	Land
% off List	6.3%	5.58%	7.3%	11.41%	14.56%	12.9%
AVG DOM	260	237	316	524	831	373

Land has yet to recover equal to the level of improved properties so there are numerous well priced parcels and now is a very good time to purchase land. Cash or seller financing is the best option. Some sellers offer financing to attract a buyer and typically the terms are 1-5 years, 5-6% interest and no loan or appraisal fees.

RECAP OF PROPERTY INVENTORY ON SAN JUAN ISLAND

\$0 - \$400,000	\$401,000 - \$600,000	\$601,000 - \$800,000	\$801,000 - \$1,000,000	\$1,000,000+	Land	Other - Multi Commercial
45	41	42	23	46	140	15

In conclusion, due to the amount of inventory, 2015 should finish up very similar to 2014. Only a few segments of our market, such as homes with docks or low-end affordable housing would be considered having low inventory levels. We only have a few homes listed for under \$250,000 that are not manufactured, condominiums or very rustic. Sellers entering the market this year are pricing more optimistically which has the appearance of increasing prices but only time will tell how much they will end up negotiating.