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SAN JUAN ISLAND REAL ESTATE MARKET SUMMARY

In reviewing the year-to-date activity for 2015, the real estate market volume on San Juan Island reflects an increase of 7.5% for the period of January through September as compared to the same period in 2014. This gain is less than the percentage we enjoyed during the same period of 2013 over 2014 when the increase in volume was 33%. As for the number of transactions, we are down 6% as compared to the same period in 2014. This decrease is

attributed to the higher number of high-end sales that have occurred this year; fewer transaction numbers but higher sale prices contributing to the volume.

TRANSACTION RECAP REPORT

Third Quarter	2015	67	\$37,636,953
Third Quarter	2014	75	\$32,046,381
Third Quarter	2013	80	\$37,585,543
Jan-Sept	2015	196	\$95,072,773
Jan-Sept	2014	208	\$88,417,932
Jan-Sept	2013	162	\$66,478,791

Our median prices peaked in 2007, hit the bottom in 2013 and we have been in a **gradual recovery** ever since.

A **gradual recovery** is a description which can be frustrating for some of the property owners in our market. We have yet to enjoy appreciation or enough inventory

absorption to add upward pressure on our prices. Although our closing volume is an increase over last year, we are replacing the sold properties in some categories just as fast with new listings and maintaining a steady inventory level.

As of October 1, 2015, we have a total of 371 property listings on San Juan in the NWMLS, with 34 of those properties in escrow. In October 2014 and October 2013, we had 390 listings with 34 properties in escrow and 389 with 30 in escrow, respectively. These totals include all types of property. The similarity of inventory for the last three years is one of the reasons our recovery is **gradual** and as robust as the metropolitan areas surrounding us. The metropolitan area's market is fueled by their increasing number of jobs, which is not the case on San Juan.

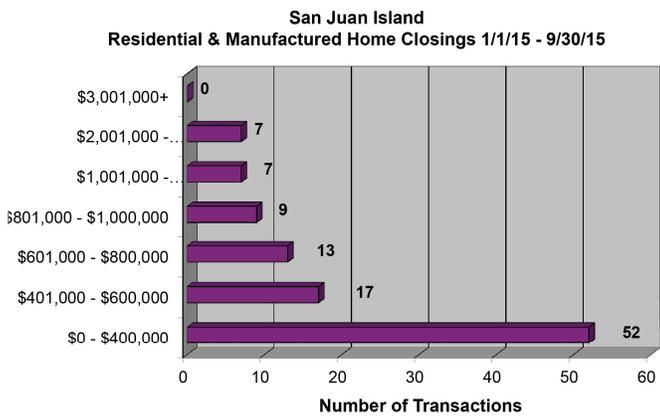
As evidence of property owner frustration, we currently have a total of 192 ACTIVE single family, condominiums and manufactured homes that have already been on the market for an average of 353 days and counting. Thirty percent or 57 of those property owners have had their homes on the market in excess of the average number of days. That is a long time to insure that your property is "show ready" and make your bed every day.

We have been maintaining the amount of inventory over the last three years by regular replacement of the sold properties with new listings and continuing to hold the property listings that have been on the market for several years. In this buyer's market it is all about pricing and listings that are priced properly sell in a timely manner. If sellers desire action around their listing, they should price their property to sell based on the level of recovery in our market and amount of inventory that is in direct competition.

Bottom line: Sellers need to price their property **prettier** than the competition and honestly analyze their property as it compares to the sold comparable properties. Price the road noise, airplane noise, and the steep driveways accordingly. Until the inventory reduces, our market recovery will remain **Gradual**.

When showing property in most categories, a buyer can select 7-10 properties to inspect, that is about 4-6 too many. There is no sense of urgency on the part of the buyers as they feel they can wait longer until the perfect listing is originated. We have had very few multiple offers and sellers are negotiating year-to-date on average 6% off list price on homes at the time of sale.

Two of the most notable segments of our market that show the most recovery are the home sales under \$400,000 and over \$1,000,000. The most active segment of our market is home sales under \$400,000 with a total of 52 sales year-to-date. This segment of inventory is also changing with recovery. A year ago, an agent could note several nice homes listed for under \$250,000. Currently it is very difficult to find a nice home under \$275,000; most are cabins or structures that would not qualify for bank financing. This has a detrimental effect on our community's affordability and a direct impact on our first time home buyers. Most buyers in this price range rely upon bank financing and have minimum down payments so the lenders require the collateral to be in good condition and conforming. This restructuring of inventory may be attributed to the lack of bank owned properties or short sales in our market, which is a good thing, but a change. We currently have 11 properties listed that are either bank owned or short sales, which equates to 3%. As a comparison, Skagit County is at 4%. I predict that by next year this time, I will be writing that we are unable to find nice homes under \$300,000 that qualify for bank financing.

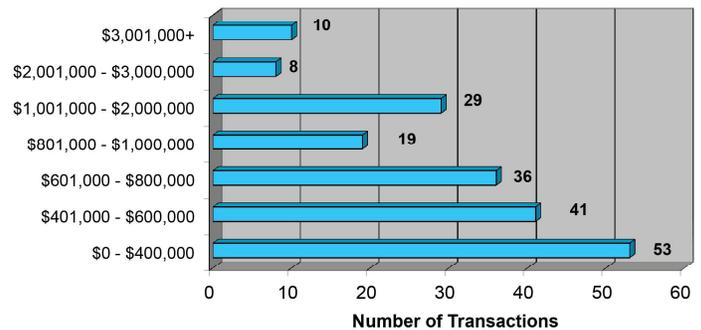


The information was generated through a search on the NWMLS completed by Coldwell Banker S.J.I. Area 900. Does not include non-listed properties.

It is interesting to note that our 2015 sales volume reflects an increase over the same period in 2014 of \$6,654,841 and the activity in the high-end of our market reflects an increase volume of \$12,021,000. If it hadn't been for the high-end sale activity, our market may have been static to 2014. Further it is important to have the high-end market recover as these sales will affect the median home price for the island.

Year-to date we have closed 14 homes on San Juan in excess of \$1M that were listed in the NWMLS and 2 additional sales that were not listed, although agents may have been involved. The total volume for these sales was \$33,094,000. Last year, for the same period we had closed 13 with total volume of \$21,073,000. We currently have another 6 in escrow and may finish the year with over 20 home sales in this segment of our market.

San Juan Island Residential & Manufactured Home Inventory as of 10/2/15



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Even with recovery and a good level of absorption in the high-end segment of our market, the inventory remains high. I estimate about a two year supply based on this year's absorption rate for properties listed in excess of \$1M. Absorption calculation is a "snapshot" in time and can quickly change.

In a few of the categories, those offering special features, the inventory is actually tight. Homes and lots offering private or shared docks would be considered tight. The lowest priced waterfront lot with dock is priced at \$495,000. The lowest priced cabin with dock is \$695,000 and the lowest home with dock is \$1,495,000.

This situation makes sense as properties with docks are one of the most desirable types of properties. When appreciation returns to our market, as in the past, properties with docks will appreciate at the highest rate. Docks are the most desirable to own and the most contentious and expensive permits to obtain.

SELLER ADVICE: Price pretty, properties that have been on the market for over one year without any enhancements or price adjustments are not likely to enter the "sold" category anytime soon.

BUYER ADVICE: We have great buying opportunities in our market but momentum is building towards more recovery. We won't remain a Buyer's market for much longer.

The information listed above was generated from a search by Coldwell Banker San Juan Islands from the Northwest Multiple Listing Service and Chicago Title reports and represents listings and closings from all of the brokerage firms on San Juan Island, not just Coldwell Banker San Juan Islands Inc. If your property is already listed with a real estate broker, please disregard. It is not our intention to solicit the offerings of other brokers.