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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 similar to the first quarter. Per the NWMLS, the dollar volume on San Juan Island was \$56,399,689 with a total of 108 transactions. The numbers reflects a 18% decrease in transaction number and a 22% decrease in dollar volume as compared to the same period in 2017. For San Juan County, the total dollar volume was \$143,972,044 with a total of 245 transactions. The County's gain was 5% in transaction number and 11.5% in dollar volume.

TRANSACTION RECAP REPORT

San Juan Island			
First Half	2018	108	\$56,399,698
First Half	2017	130	\$71,595,607
First Half	2016	104	\$50,160,050
San Juan County			
First Half	2018	245	\$143,972,044
First Half	2017	254	\$128,019,123
First Half	2016	214	\$96,809,961

The County's increase in volume was mostly supported by Orcas Island; they are on a roll. Their volume was \$54,363,368 with 76 transactions and their average sales price was \$715,307 for the 6 month period. Their numbers reflect a 43% increase in dollar volume but a 6.2% decrease in transaction numbers. This explains their average sales price increase of 52%, which isn't an appreciation calculation, but an increase from the same period last year.

This type of volume may take it's toll on their inventory levels which in turn will place upward pressure on their pricing over time, if not already. Why is Orcas doing better than San Juan? They did have a very large transaction attributed to Oprah but that was at the end of the quarter. Even without that sale, Orcas was still at an increased level over 2017.

The numbers contained in this report are derived from a search in the NWMLS which doesn't include all of the closings for the County. Excluded volume is attributed to direct sales that are not in the NWMLS.

SAN JUAN ISLAND INVENTORY RECAP

YEAR	NUMBER OF LISTINGS IN JUNE PER NWMLS	NUMBER OF PENDING PER NWMLS JUNE	PENDING TO LISTED RATIO
2018	225	40	18%
2017	280	57	20%
2016	355	44	12%
2015	350	45	13%
2014	407	35	9%
2013	418	36	9%

On San Juan our inventory is also taking pressure and reflects a decrease from last year same time.

The previous low was in December 2005 when we were working with only 157 listings for all types of property on San Juan. Our current level is 225 with 40 under contract or a net of 185 property listings.

It is still more cost effective to buy an existing home and remodel, subject to your description of materials, than to build new construction although this is changing. The reduced housing inventory is resulting in upward pressure on our prices and buyers deciding to build exactly what they want versus buying one of the existing homes. As the inventory continues to deplete, custom construction will become more popular and our builders will become more active than they are now, which will be interesting. I know one contractor that stated his costs have increased over 30% in the last 6 months due to labor and materials. I have been quoted \$300-\$350 per square foot for a home with some hardwoods, granite and a nice appliance package. Land sales have increased on San Juan Island over the last few years; we had 50 sales in 2016; 85 in 2017; and 40 to-date in 2018.

In our market many sellers still need to negotiate unless they priced at market from the start, which is difficult to do. There is no “art or science” to reviewing the closed custom home or land sales, none of the properties are similar to one another. I have been doing this for 24 years and if I could actually pick the number a property would close at, I would be famous and could work in Las Vegas! I am not famous; I as well as the other agents in my office, provide our clients with research and the most relevant information when recommending a market price for property.

Recap of Seller Negotiation

San Juan Island Homes	% off List price	% off Original List Price
2016	6.4%	11.5%
2017	4.5%	8.80%
YTD 2018	4.6%	7.5%

Ultimately, the pricing decision is the sellers and in a forward trending market, most sellers price against inventory versus sold comparable properties. The good news is sellers in our market on average are still negotiating, not like Seattle or Bellevue where everything is a bid war.

The percentage that sellers are negotiating off land sales has also been decreasing as our market trends in the positive direction.

Sales in excess of more than \$1M have played a role in our San Juan market and on Orcas. Year-to-date in the County, we have had 30 properties close as compared to the 18 for the same period in 2017. San Juan had 12, Brown Island had 1, Orcas had 9, Crane had 2, Lopez had 5 and Johns had 1. This is a 66% increase over the same period last year. Currently 13 high-end sales are pending in the NWMLS for the County which is a good trend. I personally have had more high-end sales this year than last.

We have also had more multiple offers this year than last which of course is attributed to a lower level of inventory. We are not experiencing the type of market that is currently active in the local Metropolitan areas and may never have to. As you know, Amazon didn't consider us for their next headquarter location. We remain primarily a second home market.

All of the trends are in the right direction for the County; low inventory levels and very busy agents; our real estate market is healthy. As part of a healthy market, buyers are able to process their due diligence and determine if the property is suitable, which is good practice for all parties. Due to inventory levels, some property owners are selling in a timely manner and working with motivated buyers which results in receiving a decent price.

San Juan Island lags the county which is a puzzle to me although I am very busy and feel confident that San Juan will rally and the year-end results will be very close to last year. I am running a very high number of escrows personally and so are the other brokers in my office and other offices. The slow start we had is timing out.

We are receiving good press; positive articles about our community, our environmental stewardship and even our life expectancy. If you have any questions about San Juan real estate, please be sure to contact me.