

2009 IN REVIEW:

In 2009, it may have felt as if we were only plumbing the depths of Bainbridge Island real estate. Who knows if we've actually found the bottom in the process? In the first six months of 2007, there were 184 real estate residential real estate transactions on Bainbridge (at a median price of \$671,250). By contrast, we had 83 in the first six months of 2009 (median \$617,000). But then in the second half of the year, the transactions began to pick up, with 129 transactions between July and December (compared with 148 in the second half of '07 and 101 during that period in '08).

While the number of transactions increased, house prices are still dropping. This, as we know, is the natural cycle and is a necessary step prior to the market returning to positive figures. For the year, home prices are down 12% on the average and 7.4% median from '08. From '07, the average price has dropped over 20% and the median 19.7%. While these lower prices have definitely fueled the transaction rebound, we must wait for prices to stabilize before we declare the market "healthy" again.

The condominium and land markets have also had a tough time this past year. Condo sales rebounded from 42 in 2008 to 53 in 2009, but are still far behind 2007's 133 sales. The median price was down 15.8% from 2008 (\$330,000 vs. \$391,750) and 29% from 2007's \$464,070. The land category followed a similar trend with 30 transactions in '07 (median \$300,000), 15 in '08 (median \$202,000) and 11 in '09 (median \$142,000).

Here is a look at the numbers:

Single Family Homes Sold 2009					
	2006	2007	2008	2009	Change % (08-09)
Average Prices:	\$751,346	\$820,569	\$749,970	\$662,668	-11.6%
Median Prices:	\$661,000	\$680,000	\$589,500	\$546,000	-7.4%
Number of Sales:					
\$0-\$400,000	26	14	23	45	+96%
\$400,000-\$600,000	119	106	75	76	+1%
\$600,000-\$800,000	85	94	37	39	+5.4%
\$800,000-\$1M	63	53	20	23	+15%
Greater than \$1M	56	65	33	29	-12.1%
Total Sales:	349	332	188	212	+12.8%
Inventory*	190	207	203	186	
Under Contract	31	18	24	31	
"Available Inventory"	159	189	179	155	

* Homes for sale on January 4, 2010



Windermere

REAL ESTATE

So what's the good news? The growth in transactions is great news. We cannot have any sort of recovery until people start to buy and continue doing so. Now, inventory is down and "Pendings" (properties under contract) are up. This signals continued strength in transactions. It is ironic that right now one of our concerns is lack of inventory for the buyers that are out there. Sellers are reluctant to list because of the prices. But without enough choices, buyers often choose to delay purchasing or rent while they wait for new inventory.

What do we see in our crystal ball? We are optimistic. The financing market has stabilized, although lending requirements are more stringent than in the 2005 to 2007 period. Even though some confidence is beginning to return to Bainbridge Island real estate, we do not see any "price recovery" in the near future. It is still a buyers' market and the homes that have sold resulted from most sellers accepting less than they had wanted. "Distressed" properties now comprise a sizeable percentage of the Bainbridge Island marketplace with 14.8% of the current listing inventory and 13.2% of the closed sales last year represented by either short sales or bank-owned properties. And since they are usually aggressively priced, these properties have a tendency to exert a downward pressure on their competitors (similar type houses). They also impact the appraisal process and financing for similar properties. It is our belief that distressed property sales will continue to be a factor throughout this year. And, if interest rates go up, which many believe will happen the second half of the year ~ that, too, will have a negative impact on prices. Still, it feels the worst is behind us.

What's the upside? The pain of lower prices has created openings for buyers to afford our great area. We are seeing new families and friends looking at the opportunity of moving to the island and buying. It has been a torturous year, but we have fared far better than most markets. This correction has been painful to many, and an opportunity for many. When the dust settles, we will be in a stronger place. Until then, let's remember how lucky we are, to be part of the Bainbridge Island community. At Windermere Bainbridge, we work hard to never take that for granted.