

2012 YEAR IN REVIEW

Windermere
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Windermere Real Estate / BI, Inc.

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STORMING BACK



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With the arrival of the new year, we also welcome a fresh new start to our local real estate market. As we tally the 2012 year-end statistics, we have reason to think that 2013 might look a bit brighter than its predecessor.

Putting Things in Historical Context

The number of Bainbridge Island's residential home sales peaked in 2004 with 468 sales. Our market's "correction" began in the 2nd quarter of 2007, yet we still managed to sell 332 homes that year. The trough came in 2008 with 188 sales, followed by steady (but not terribly exciting) improvements each year since. In 2012, we sold 386 homes, a spectacular increase of over 50% from 2011. This is great news on all fronts. Will this trend continue into 2013?

Assessing the 2012 Sales Figures

For the past five years, homes priced over \$500,000 have really struggled. Our "middle market," between \$500,000 and \$1 million, is the truest barometer of the island's real estate health. This important segment went from a strong 212 sales in 2005 to only 93 sales in 2008 – a drop of 56% in three short years. In that same segment, our sales last year were a much healthier 156 homes. Our fabled waterfront homes and condominiums were not immune to the downturn, plummeting from 61 sales in 2005 to a mere 21 in 2008. They came roaring back to 64 sales in 2012.

Where Are Prices?

We also saw the prices level off and move up after five years of steady erosion. The overall single family median market prices are still off 23% from their 2007 peak, and the average/median prices compare to those from April 2005 (when the average price was \$635,153 and the median was \$540,000). But after five years of a declining market, this is a welcome change.

Comparable Markets

When we compare ourselves to our neighbor markets to the east and west, we found Bainbridge fared well. Seattle had a 15% rise in transactions with average prices up about 5% and median up almost 7%. In North Kitsap, the transaction count reflected a healthy 27% increase from 2011, but their average prices were down slightly (-2.1%) and median prices remained flat.

The Condo Connection

Our condominium market experienced mixed results. The number of sales went up 19%, but the average prices were essentially flat and the median price actually declined. If you look at the past two years, only 6.8% of the sales were priced over \$500,000. Looking specifically at properties priced above \$600,000, the number drops to four sales in two years (2.7% of overall sales). There are currently two condominiums under contract over \$500,000. So affordable condominiums have experienced brisk sales but it continues to be a tough market for condominiums over \$500,000.




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The Promise of Land

Land sales included an encouraging 32 closings, up 60% from 2011 and up a whopping 300% from 2009's measly 11 sales. As with condominiums, the bulk of the sales (28 of the 32) were for properties below \$400,000. Indeed, the average sale was \$216,672 and median \$147,500. With the healthier land sales, we are also seeing more new construction, both pre-sales and even a few spec homes. Spec homes are still challenging with lending hurdles and cost-to-build/market value ratios.

The Crux of the Matter

So what trends can we expect for 2013? Right now, our largest challenge is inventory. With a healthy job market in Seattle and overall positive economic news, we are seeing a number of buyers. However, the lack of choices can be frustrating for these eager buyers. On January 15th, there were fewer than 100 homes actively for sale (those listed but not under contract). When the numbers drop this low, the stress is exacerbated by a larger percentage of homes that have been on the market for a while and for one reason or another have been passed over by the current crop of buyers. In truth, there are many homeowners sitting on the sidelines but reluctant to put their homes on the market for a number of reasons. First, they have looked at the existing inventory and do not see anything they wish to buy should they sell their home. Another hurdle is prices. Sellers are aware they probably will not see 2007 prices anytime soon, but would like to see them inch a little closer! Another reason is the market decline, which has placed many sellers in "upside down" mortgage situations. So if those folks don't have to sell right away, they're holding onto their homes until prices rise again and they can protect themselves from losses.

Bainbridge Island Single Family Homes Sold 2012

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Change % (11-12)</u>
Average Prices:	\$820,569	\$749,970	\$662,668	\$640,701	\$581,855	\$634,809	9.10%
Median Prices:	\$680,000	\$589,500	\$546,000	\$541,000	\$493,000	\$524,650	6.4%
Number of Sales:							
\$0-\$400,000	14	23	45	52	84	114	35.70%
\$400,000-\$600,000	106	75	76	94	101	124	22.80%
\$600,000-\$800,000	94	37	39	59	37	64	73.00%
\$800,000-\$1M	53	20	23	23	12	34	283%
Greater than \$1M	65	33	29	26	23	50	217%
Total Sales:	332	188	212	254	257	386	50.20%
* Inventory	207	203	186	193	200	149	
Under Contract	18	24	31	38	25	49	
"Available Inventory"	189	179	155	155	175	100	

* Homes for sale on January 8, 2013

Looking Forward

The next six months will prove to be very interesting. More fiscal cliffs, European travails and other external influences can have an effect on micro-markets like ours. The push/pull stress of a strong buyer pool wanting more inventory to choose from will continue to shape the market. In tricky times like these, buyers and sellers are wise to work with experienced agents who can offer clarity amid the confusion. All in all, there are more positive things happening in the Bainbridge Island real estate market than we have seen for quite a long time. We at Windermere are excited and optimistic about 2013.



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