



2015 YEAR IN REVIEW

WINTER 2016

RINGING IN THE NEW YEAR

Singing a Familiar Song In 2015, we watched as a trend that began in 2012 continued. For the past several years, we've had a steady decrease in available homes accompanied by increased values. In 2015 we saw more of the same – or less of the same, depending on one's perspective. We are living and working in an ongoing environment of real estate scarcity. Still, we keep our eyes on the future rather than the past to see what the market will do next.

The Ebbs and Flows of an Island Market As with all markets, we are subject to demand (buyers) and supply (sellers). The majority of our buyers come from two sources: island residents seeking to change their Bainbridge addresses (>40%) and people moving here from the Seattle environs (~30%). We are all aware of the craziness of the Seattle marketplace. Seattle is experiencing phenomenal economic and job growth, a lot of it right downtown. Seattle Metro real estate is also a fairly closed system, with little room for additional housing unless you want to live in an apartment tower or spend a lot of time on the freeways going east/south/north. The consequence of this growth has created some serious traffic issues and prices (for those who succeed in the multiple-offer frenzy) are a lot higher there than here. Once you factor in the great reputation of Bainbridge schools, it is little wonder families of downtown workers look to the island as a real estate alternative to Seattle.

Movement on the Rock And then there are the Bainbridge buyers. Many island residents have been "trapped" in homes they purchased between 2006 and 2008, waiting for prices to come back up so they can move without taking an equity hit. In general, prices have gradually risen since 2012, which has brought home values closer to the peak prices of 2007. (Prices have grown >35% since the beginning of 2012 but certain areas/locations/amenities have outpaced appreciation relative to other island neighborhoods.) At the current rate, we should surpass the average price peak of 2007 at some point during 2016. (The average price in 2007 was \$820,569; in 2015 it was \$790,534.) The "upper end" segment (>\$800K), which has been the slowest to recover, had a strong 2015 with sales up 35.6% from 2014 (137 versus 101). It is interesting to note this segment accounted for 36% of all the sales in 2015.



The Challenge of Choices The only apparent impediment to local people moving around the island is a lack of choice. Bainbridge residents are reluctant to put their homes on the market because they cannot find alternatives that justify moving (and their current homes appreciate the longer they stay in them). The current demand is outstripping current supply, which creates price increases and buyer frustration. The demand comes from the fact that Bainbridge is a pretty great place to live so people want to move here. As long as Bainbridge Island is perceived to be a desirable community (and given the alternatives for anyone wanting to be as close as we are to the metropolitan Seattle area), there will be demand from people wanting to live here.

The Pros and Cons of High Demand The effect of this demand will be continued buyer frustration, higher prices and a demand for more inventory (growth of the number of homes available, otherwise known as new construction and development). If our demand stays the same (and there is no reason to doubt that it will, at least in the mid-term), prices will rise more than if there is new inventory. For those of you who have been here for a while, you remember when prices kept rising we started to lose new families and diversity as our prices appreciated in the last decade (2002-2007). This does have consequences on the island's character.

Developing Changes The good news is that there are new construction projects being built and being planned. As home prices and demand have increased, builders have re-emerged. We had 68 land sales last year (with a median price increase of 27%, from \$185K to \$235K), the most in over a decade (and a long way from 2008's 15 sales). Some of these are for single family; some are for developments. Grow Village, developments on Wing Point, Wyatt Way and Lovell, Weaver, Sunrise Bluff on the mid to north end are actively being pursued by builders. Pleasant Beach and "The Roost" on Point White in the south end want to move forward and will, just as soon as some issues with the local sewer infrastructure are answered. Some of these projects will come on line this year, and some in 2017. Last year, we recorded 21 new construction sales, a 31% increase over 2014 and a 420% increase over 2013.

The Word on Condos Condominiums were dramatically affected by the lack of inventory. Active listings (listings not under contract to be sold) went from a peak of 16 in May down to only 4 in mid-December. That's right. In mid-December, there were only 4 condominiums available island-wide. With that in mind, it is surprising that sales were only down 11% (90 versus 101). The median price, however, grew 11.2% (\$372,500 versus \$335,000) which surpassed the single family median increase. This was due primarily to sales between \$400K-\$500K increasing from 19 to 25 in 2015. (In both years, 86% of all sales were less than \$500K.)

A Fresh Take We expect 2016 to be an interesting year. There is little evidence to a slowdown in demand so the challenges sellers and especially buyers experienced in 2015 will probably not abate. There is a "buzz" that more people are thinking about selling this year, which will help. However, there appears to be a resurgence of a "no growth" attitude, which will only drive prices higher, lessen diversity and change the flavor of our island, which could eventually lessen demand. The trick is enabling growth so it maintains the qualities we currently have and allows Bainbridge Island to retain its distinct personality and charm.

Bainbridge Island Single Family Homes Sold 2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015	Change (%) (2014-2015)
Average Prices:	\$820,569	\$749,970	\$662,668	\$640,701	\$581,855	\$634,809	\$602,500	\$706,275	\$790,534	12.0%
Median Prices:	\$680,000	\$589,500	\$546,000	\$541,000	\$493,000	\$524,650	\$527,000	\$620,000	\$666,500	7.5%
Number of Sales:										
\$0-\$400,000	14	23	45	52	84	114	101	56	27	-51.8%
\$400,000-\$600,000	106	75	76	94	101	124	148	133	119	-10.5%
\$600,000-\$800,000	94	37	39	59	37	64	96	111	96	-13.5%
\$800,000-\$1,000,000	53	20	23	23	12	34	33	51	66	29.4%
Over \$1,000,000	65	33	29	26	23	50	36	50	71	42.0%
Total Sales:	332	188	212	254	257	386	414	401	379	-5.5%
Inventory:*	207	203	186	193	200	149	118	84	77	-8.3%
Under Contract:*	18	24	31	38	25	49	48	28	24	-14.2%
"Available" Inventory:*	189	179	155	155	175	100	70	56	53	-5.3%

* As of January 4, 2016

