

2012 3RD QUARTER IN REVIEW

Fall 2012

WHAT A LONG, STRANGE TRIP IT'S BEEN



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It's About Time

Even during the darkest hours of 2008, we knew one thing for sure: Bainbridge Island real estate would recover because our market is supported by fundamental strengths, including the fact that it's a great place to live. Looking back at the first three quarters of this year, we can happily report that we were right. The market is strengthening. The goal now is to analyze our recovery, discuss sustainability and plan our way forward.

A Solid Three Quarters

First, let's revel in the good news. In the first nine months of this year, 293 island homes sold. This is 36 more than sold all last year and *more than twice* the number of homes sold in the first three quarters of 2008. You have to go back to 2005 to find a more active nine months, and all the way back to 2003 to find the record-setting 375 homes sold. So far this year, there have been 40 sales over \$1 million – a number not seen since 2007 (when 59 homes broke the record for >\$1M in the first nine months).

The Condo-Land Report

Both condominiums (56) and land (24) had their best numbers since 2007. Land sales are up 33% from last year (and up over 140% from only 10 sales in 2008) but are still way off the pace set in 2004 (when there were 80 sales through September). Although we are pleased with the condominium improvement, there is lots of room for growth if we want to approach the record set in 2004 when there were 137 sales.



The Price is Right, Except When It's Not

What about prices? Here, things get a bit muddier. We are showing strong gains in both average and median price growth, but a lot of that can be explained by renewed strength in market segment versus individual homes experiencing dramatic price gains. One of the important contributing factors to our price drop was the fact that the market over \$600,000 was very weak for a number of years. This year, the number of sales of \$600K+ homes was up 104% from last year and up 46% from the average of 2008, 2009 and 2010. This re-shifting to a more balanced marketplace will have the opposite effect that the unbalanced market had for the periods 2008 through 2011. Mathematically, it will bring the average and median prices up. That being said, prices have definitely stabilized and are showing incremental upward movement in certain market sectors. Still, we rarely see contracts being put together at the listing price or above, even in multiple offer situations.

What's Inventory Got to Do with It?

We still struggle with available inventory, and low inventory is a two-edged sword. Yes, it can help push prices up. However, there is an even higher probability it will slow the market down, which is what we seem to be experiencing. We have not seen sub-200 available homes at this time of year since the heyday of multiple offers in 2006 (when there were 181 listings on the market). Here's the problem with low inventory: it usually means that there is a higher percentage of homes on the market that buyers have already viewed – and for whatever reason rejected. While interest rates stay low, buyers pull back until new inventory comes on the market. The challenge with our current market is there are many sellers also waiting to put their homes on the market until they can list at higher prices. Like a convergence zone, both parties are waiting for an event that may or may not take place in the near future. The result is a slowdown. Judging by the market activity so far in October, that's exactly what we're experiencing right now.

Bainbridge Island Single Family Homes Sold January 1 through September 30

	2008	2009	2010	2011	2012	Change (%) (11-12)
Average Prices:	\$823,898	\$689,129	\$647,715	\$575,217	\$641,789	+12%
Median Prices:	\$610,000	\$579,500	\$557,500	\$493,000	\$530,000	+8%
Number of Sales:						
\$0-\$400,000	14	29	39	67	83	+24%
\$400,000-\$600,000	55	49	72	76	96	+26%
\$600,000-\$800,000	29	30	47	33	49	+48%
\$800,000-\$1,000,000	17	23	19	8	25	+213%
Over \$1,000,000	30	19	21	15	40	+167%
Total Sales:	145	150	198	199	293	+47%
Inventory (10/3/12):	285	289	285	293	228	-22%
Under Contract:	31	47	45	45	77	+71%
"Available" Inventory:	254	242	240	248	151	-39%

Predictions



So what will happen? We predict that the market will work itself out. We just have to be patient. Prices will go up a bit more, which will prompt sellers who are tired of waiting to make some moves. We know this from analyzing statistical data as well as working and communicating every day with buyers and sellers. As Windermere professionals and residents of this terrific community, we know that things are headed back in the right direction. Bainbridge Island continues to be a great place for investing in real estate and in a wonderful quality of life.