

3RD QUARTER IN REVIEW

Windermere
REAL ESTATE
Windermere Real Estate / BI, Inc.

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MORE AUTUMN, LESS FALL



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A Bifurcated Market

In the third quarter, we saw more of the same trends that have been in place since the start of the year. There continues to be a divide between our two primary markets & the line between them is neatly drawn at the \$600,000 mark.

- Properties priced under \$600,000 continue to sell steadily at a pace not seen since 2005.
- Properties priced higher are still struggling mightily, although there may be a glimmer of light on the horizon.



Where the Sales Are YTD

Single family homes. In the first quarter of this year, single family homes sold better than they have since early 2007. The wheels fell off during the second quarter, and sales of these properties dropped below where we were mid-year 2010. Things rebounded in the third quarter and rose to meet last year's Q3 numbers, which means sales surpassed the 2008 and 2009 third-quarter sales.

The \$400K sweet spot. While the \$600,000-and-under market has been our strongest this year, this recent surge has been powered by sales at or below the \$400,000 mark. So far this year, we've closed 67 homes in that category, which is the best we've done in that price range at the close of Q3 since 2005.

Between \$400K & \$600K. We also did well in the \$400,000-\$600,000 range, with 76 homes sold since January of this year. These numbers gave us our best performance since 2007 for this mini-category. (We consider September 2007 the beginning of the market correction.)



Key Factors

Our enthusiasm for these numbers is tempered by the softness in the rest of the market. In our first three quarters, we had 56 homes sell for \$600,000 or more. To put it in perspective, in the first three quarters of 2007 there were 183 sales in this price range. That period in 2007 exemplified the peak of the "multiple offers" frenzy, but even in the more sedate year of 2005 there were 150 sales through September over \$600,000.

Here are some of the things to take into consideration:

Pricing statistics: It makes median and average price numbers very misleading when you apply them to a particular house. The average/median price numbers are down 11+% from last year. We believe that the number is too high for the active market less than \$600,000 and unfortunately probably too low if your home is priced over \$600,000.

Pricing strategies: Each home has to be viewed in light of how much competition there is, how good the competition is, how many buyers are perceived in that particular market segment, the timeframe the seller has to sell, and any external factors (such as a loan that would end up greater than the price level required to sell a home and the seller's willingness to go down that road).

Days on the market: Sellers of homes priced less than \$600,000 are looking at a cumulative days on the market (CDOM) of 75 days. For homes priced over \$600,000 the median is 117 days. There have been segments in our market where the evidence indicates that there simply weren't any buyers, or very few, for a period of time.

Re-categorization. The reality of this market is that many homes previously categorized in higher pricing segments (even as high as the \$800,000 range) are now falling into the \$600,000-and-below column. The whole middle of our marketplace has become more affordable through this correction, so it would make sense there are more sales in those price ranges.

The upper end. We've concluded that the lower end of the market is doing okay. But what's going to happen to the \$600,000+ market? The good news is we are seeing a gradual improvement. On August 1, there were nine pending sales for homes priced above \$600,000. One month later, there were 11 more. At the end of September, there were 13 more. This upward trend is encouraging.

Leading the way. Having one segment of our marketplace exhibiting as much strength as it is has to be viewed as a very positive move in our road back to normalcy, whatever that turns out to be. Now all we need is continued momentum in other segments.



Single Family Bainbridge Island Q1-Q3 Market Statistics (January - September)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Change % (10-11)</u>
Average Price:	\$823,898	\$689,129	\$647,715	\$575,217	-11.2%
Median Price:	\$610,000	\$579,500	\$557,500	\$493,000	-11.6%
Number of Sales:					
\$0-\$400,000	14	29	39	67	+72%
\$400,000-\$600,000	55	49	72	76	+5.6%
\$600,000-\$800,000	29	30	47	33	-30%
\$800,000-\$1M	17	23	19	8	-58%
Greater than \$1M	30	19	21	15	-28.6%
Total Sales:	145	150	198	199	+5%
Inventory*	285	289	285	293	+2.8%
Under Contract	31	47	45	45	0%
“Available” Inventory	254	242	240	248	+3%

*Homes for sale as of approximately 09/30

Lynwood Center Update

By Jim Laws

Many people are wondering about the status of the work being done at Lynwood Center on the Pleasant Beach Village development. Here's the latest:

Manor House. This community events center is Phase I of the project. The first floor interior is being completely redone and will have a whole new look, more closely resembling the building's library. Exterior improvements will include fireplaces and covered areas. We hope to begin taking reservations in the next few weeks in anticipation of a December opening.

Street level. Phase 2 will encompass buildings 1 through 4 along Lynwood Center drive. Developer John Jacobi and architect Charlie Wenzlau are partnering on the plan for the exterior finishes, which will be applied over the course of this winter and spring.

Inn. We are working with the city on zoning for a small inn on the property. The city is being very supportive and is pushing this paperwork along. When that is in place, part of building 4 will be converted into an eight- or nine-room inn.

Commercial. We are actively seeking commercial tenants for all four buildings, where we have 10,000+ feet to lease. We are currently in discussion with a brew pub, a yoga studio, a spa and other potential tenants. We hope to assemble a group of tenants to complement and serve the local community.

Residential. By next spring, we hope to begin renting 12 residential units ranging from 1,500 sq. ft. to over 2,000 sq. ft. Our goal is to create an option for people who want to downsize, be in a dynamic and active community.

Future plans. Still in the planning phases is a building across from the main structures that will offer an additional tract of rental units (smaller and more affordable than what will be available across the street). In addition, we have begun to plan for a number of cottages to be built in the northwest quadrant of the project and sold as single family homes.



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