

Springtime Brings Signs of Real Estate Growth

Positive sales indicators. Here at Windermere Bainbridge, we are quite encouraged by the numbers from the first quarter of 2010. The month of March was the seventh in a row in which our “unit count” (the number of closed sales) surpassed the previous year’s. We ended the month with a whopping 57% more transactions than in March 2009 (22 vs. 14). These important market improvements were seen island-wide across all types of real estate: condominium unit sales were up 50% (9 vs. 6); even land sales, which have really been in the doldrums, were encouraging (5 vs. 3). In our previous newsletters, we have stated that the *quantity* of sales must show stability and improvement before we can envision any “recovery.” These latest numbers are certainly pointing in that direction.

On the horizon. We get more good news when we look at pendings (homes under contract). We currently have 40 pendings compared to 33 at this time last year. This signals continued unit strength (since we rightfully assume that most pendings will close). The inventory has grown, although most sellers are in the market because they need to be, not because they want to be. Still, there is a nice balance between supply and demand. This greater inventory offers buyers more choices – essential in a weakened market – but not so many as to create a level of competition that results in severe downward price pressure.

The money behind the market. Amidst all this market sunshine, there are a few dark clouds still hanging around related to financing. The “middle” of our market (\$600K to \$1M) has improved, but only slightly because people are still having difficulty obtaining loans that fall into the “jumbo” category up to \$1 million. For high-end real estate transactions that exceed \$1 million, we often see buyers offering all cash or large amounts of cash, requiring them to finance very little of the purchase. Those buyers who need financing in the middle range are continuing to find the jumbo borrowing process rigorous and the costs frustratingly high. Unfortunately, interest rates are predicted to rise, which could price some borrowers out of the market.

The low-down on prices. From a seller’s perspective, prices are still unfavorable. Most sellers are confronted by numbers that require them to wipe out large amounts of equity or even sell for less than they owe. Our unit count may have stabilized, but it has been at the expense of the sellers who have bitten the bullet and priced their homes to sell. As the average and median prices have decreased, buyers are getting a lot more house for those lower numbers, which means the values of individual homes have decreased more than the average or median prices. Prices are still low and may fall again if (when) interest rates rise so we’ll continue to keep an eye on these market dynamics.

Bainbridge Island Single Family Homes Sold January 1 through March 31

	2010	2009	2008	2007	Change (%) (09-10)
Average Prices:	\$737,704	\$841,497	\$934,918	\$781,252	-12.3%
Median Prices:	\$560,800	\$559,000	\$675,000	\$670,000	+3%
Number of Sales:					
\$0-\$400,000	5	6	2	6	-16.7%
\$400,000-\$600,000	20	13	10	23	+53.9%
\$600,000-\$800,000	7	4	8	20	+75%
\$800,000-\$1,000,000	6	5	6	12	+20%
Over \$1,000,000	11	9	8	11	+22%
Total Sales:	49	37	34	72	+32.4%
Inventory (4/6/10):	276	248	258	224	+11.3%
Under Contract:	40	33	27	51	+21%
“Available” Inventory:	236	215	231	173	+10%

Looking ahead. So where is all of this pointing us? Buyers are taking advantage of these favorable conditions and buying, which is certainly preferable to the alternative. If unit counts continue to strengthen and begin to move toward where they were a few years ago (the average unit count for the first quarter from 2004 through 2007 was 75.5 homes, compared to 49 this quarter), we will see stabilizing and eventually increasing prices. Remember during 2004-2007, the demand of 75 units in the quarter created rising prices. Interest rates may dampen this, but only temporarily. Our long-term regional economic forecast is positive and Bainbridge will always be one of the premier locales in the region, with one of the strongest housing markets. Time will tell how quickly our local recovery will take, but our current foundation is undeniably stronger than it’s been in recent years.