

**Bold Moves, Great Timing.** When investor Warren Buffett poured \$5 billion into Goldman Sachs to bolster the struggling company, it was an unquestionably daring move. But it made perfect financial sense. Things may not look good today, but when the dust settles, Buffett will have made a quality investment at a great price. From where we sit at Windermere Bainbridge Island, we think the same could be said about the state of our local real estate market. Our location, community, natural assets and beautiful neighborhoods will continue to make Bainbridge housing a great long-term investment.

**A Look at the Numbers.** Statistics are powerful and, when viewed over time, can tell a compelling story. They also serve as a gateway to many sub-stories, including the market’s whats, whys and wheres. The numbers below tell the local real estate tale that has become disappointingly clear: this big picture illustrates a weak market.

<b>Single-family Bainbridge Island Q1-Q3 market statistics (January - September)</b>					
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Change % (07-08)</u>
<b>Average Price:</b>	\$648,095	\$735,022	\$820,482	\$803,898	-2%
<b>Median Price:</b>	\$548,750	\$661,000	\$680,000	\$610,000	-10.3%
<b>Number of Sales:</b>					
<b>\$0-\$400,000</b>	62	23	14	14	0%
<b>\$400,000-\$600,000</b>	144	95	90	55	-39%
<b>\$600,000-\$800,000</b>	82	62	79	29	-63.3%
<b>\$800,000-\$1M</b>	36	55	45	17	-62.2%
<b>Greater than \$1M</b>	32	39	59	30	-49.2%
<b>Total Sales:</b>	356	274	287	145	-49.5%
<b>Inventory*</b>	177	235	230	285	+24%
<b>Under Contract</b>	55	56	23	31	+34.8%
<b>“Available” Inventory</b>	122	179	207	254	+22.7%

\*Homes for sale as of approximately 10/1

**Taking a Broad Perspective.** The statistics above show our market “peaking” in 2007 (in June, to be exact). By September 2007, the market had already experienced three months of softening. In September 2008, 16 homes sold on Bainbridge. In September 2007, 26 homes sold. If you analyze the market using just those two numbers, 2008 is not looking so bad (with a decline of 38.5%). But if you look back to the data from September 2006 (38 homes sold) or September 2005 (47 homes sold), the number 16 takes on a new significance.

**Sellers’ Pricing Strategies.** Even though median prices show only a 10% decrease from last year, it is important to look at the declining numbers of sales for homes priced above \$600,000. These figures indicate that sellers in the upper categories should consider more dramatic price adjustments in order to be successful. With the available inventory increasing and the number of sales down dramatically, each home for sale is competing in a much tougher environment. As the statistics illustrate, some areas of the market have been hit harder than others. As such, these listings are subject to the greatest downward price pressures.

**Buyers’ Financing Hurdles.** While we are clearly in the midst of a buyers’ market, there are financing challenges to overcome. Loans are being made available, but jumbo loans (currently including any financing in excess of \$475,000, which makes up a large percentage of the mortgages on family homes costing more than \$600,000) are subject to tighter requirements and higher interest rates. This lending stress has contributed to the reduced sales of homes listed at more than \$600,000. Buyers are also wrestling with timing; many are waiting for “the bottom” of the market, while others are nervous about the short-term outlook of our economy.

**The Consistency of Bainbridge Island.** Although the numbers are sobering, we are still in much better shape than other regions. There is an undeniable adjustment taking place, but we will get through this as we’ve gotten through previous bumps in the real estate road. We are blessed to be in one of the strongest markets in our country, which will put us in an even better position when the fluctuations stabilize and growth returns. Until then, there is no better place to weather this storm.