

A New Year, A New Take on Our Changing Real Estate Economy

We at Windermere Bainbridge are cautiously optimistic about the direction the market is heading. The first six months of this year were a vast improvement in almost every statistical area from the previous two years. The number of homes sold grew 65% from the same period in 2009. This solid gain is supported and strengthened by similar gains in comparable neighborhoods (Capitol Hill +61%, Ballard +21%, Mercer Island +84%). In spite of the obstacles we still face on the financing side, homes are once again selling and closing. (More on that later...)

A look at the complete market. This island-based sales surge is not limited to single family homes. Condominium sales are up 21%, from 24 to 29. These numbers pale in comparison to the 80 units that sold in the first half of 2007, but they are definitely going in the right direction. Additionally, at the end of June, the ratio of the total number of condominium listings to listings that had signed deals (not closed, but transactions working their way towards closing) has risen from 4% to 15%. The months of inventory for condominiums has dropped from 18 in 2009 to 13 this year. Finally, land, which has been a terribly slow segment of the market, increased from 5 transactions year-to-date last year to 7 this year.

What the numbers tell us. There is no denying that these are promising trends. Once sales stabilize and increase, we can watch for prices to do the same. The numbers say we have yet to find the price bottom, but there certainly is hope. We have two elements in our favor: a solid spike in numbers of homes sold plus the fact that our Bainbridge real estate market often “follows” the Seattle neighborhoods. In the neighborhoods referenced above, as well as West Seattle and Northeast Seattle, the median prices have already stabilized or even inched up a bit. The only exception to this is Mercer Island (where the median price dropped 9.4% from the first six months last year).

The middle rises to the top. Our recovery is being led by our “middle market.” This is great news, primarily because it means that families are taking advantage of the more affordable prices and moving to our wonderful island. Also, this phenomenon is supported by increased sales in other regions and the availability of low-rate jumbo loans. (We do not ascribe it to real estate tax incentives, other than a bit of “trickle up.”) Loans can still be a bit difficult to come by and the pendulum is still swinging away from the lending practices that created our national bubble. Buyers who persevere, obtain pre-qualifications and get help from real estate agents and local lenders are more likely to get favorable loans.

Bainbridge Island Single Family Homes Sold January 1 through June 30

	2010	2009	2008	2007	% Change (09-10)
Average Prices:	\$669,361	\$769,409	\$886,707	\$832,537	-13.1%
Median Prices:	\$560,000	\$617,000	\$650,000	\$671,250	-8.2%
Number of Sales: \$0-\$400,00	27	16	8	11	+69%
\$400,000-\$600,000	45	25	29	61	+80%
\$600,000-\$800,000	32	13	15	48	+246%
\$800,000-\$1,000,000	16	10	12	28	+60%
Over \$1,000,000	17	19	21	36	-11%
Total Sales:	137	83	85	184	+65.1%
Inventory (7/6/10):	288	258	339	284	+11.6%
Under Contract:	34	28	41	64	+21.4%
“Available” Inventory:	254	230	298	220	+10.4%

Watching and waiting. These are interesting times; making predictions can be dangerous. The market has cooled a bit in the past few weeks, but that can be partially ascribed to summer (which is traditionally slower here on the island), a volatile stock market and some negative media about the economy as a whole. However, there are a lot of positive structural signs. We have been spared excessive short sales and bank-owned properties (currently accounting for 11% of the listings and 24% of our pending sales). Although one cannot understate the personal agony of these situations, the upside is they have not appreciably increased as a percentage of our market. There are a number of custom homes under construction on the island – not as many as our local contractors would like, but more than last year. There is also an underlying feeling that we’ve been through the worst. We may not see rapid growth nor attain the numbers of a few years ago in the near term, but we are definitely going in the right direction.

Here for the long term. The Windermere Bainbridge Island office has seen clients through previous challenging periods and it will continue to do so in this one. Buyers, sellers and market watchers benefit from our inside perspective on this one-and-only community because we are here to stay. Please contact us with any questions about how we can help you reach your real estate goals.