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NEWSLETTER
A Quarterly Market Review of Real Estate on San Juan Island

P.O. Box 100 | 105 Spring Street | Friday Harbor, WA 98250 | 800.451.9054 | 360.378.2101

San Juan Island Real Estate Market Summary

As expected, the real estate market volume on San Juan Island during the first quarter of 2009 was less active when compared to the same period in 2008. The dollar volume lags 2008 by 15% or \$2,259,297. Even though the volume is down, it is a far cry from the 47% decrease we endured when comparing the first quarter of 2007 to 2008.

The average number of transactions each month during the first quarter was 6.6 which is considerably less than the 15 per month for the same period in 2008. The monthly transaction count is down 57%. The dollar volume being down less than the number of transactions indicates increasing average sale prices. During the same period in 2008, the dollar volume was down more than the number of transactions which indicated decreasing average sale prices. During the first quarter we had four properties close in excess of \$1,000,000 as compared to one closing in the first quarter of 2008. One of the closings was a trust transfer and not a true "arms length" sale. The other three included two waterfront homes and one view acreage. One should note that a quarter is a short period and represents only a snap shot of the overall market picture.

TRANSACTION RECAP REPORT

TIME PERIOD		NUMBER OF TRANSACTIONS	DOLLAR VOLUME
First Quarter	2009	20	\$ 13,191,300
First Quarter	2008	46	\$ 15,450,597
TOTAL	2008	161	\$ 68,565,362
TOTAL	2007	253	\$144,392,887
TOTAL	2006	348	\$ 182,591,404
TOTAL	2005	469	\$ 210,663,047
TOTAL	2004	368	\$ 143,716,501
TOTAL	2003	343	\$ 104,238,973
TOTAL	2002	352	\$ 102,852,851

Recently a very good article was written by Steve Nassar which is titled "Where's the Bottom?" In this article he makes some interesting points. "Prices right now are psychological. Fundamentals don't dictate prices in a market like this. A house is a piece of land with a structure on it, built with materials and labor that have an identifiable price. Despite this, many homes are now selling for far less than the cost of materials and labor; there is no logic to this. As fear builds momentum, it simply paralyzes the markets. Once this fear subsides, real estate prices could rapidly correct back to at least the hard cost of the structure. If one questions whether it's the right time to buy, they should review a detailed breakdown of the costs associated with building a home. A buyer should take advantage of the fear in the market and purchase a home at a price lower than what fundamentally makes sense.

When economic news seems improved enough for a buyer to feel comfortable purchasing property, sellers will also feel much more comfortable and will instantly act accordingly". Steve Nassar's entire article is available on our website for your review. http://www.sanjuanislands.com/Wheres_the_Bottom.pdf

Advice for buyers: For qualified buyers, low interest rates and safe, stable financing are available. Increased inventory means better selection and potentially more favorable negotiations. The best bargains will be found when there are the fewest number of buyers in comparison to the number of sellers. This is the classic supply versus demand. The fewest buyers will occur when there is a great deal of pessimism in the market. The best bargains will be found at the times when the general population is most afraid of purchasing real estate. Rather than viewing extreme pessimism as a negative, a buyer should view it as an opportunity and part of a necessary progression of the market's healing. The best bargains will have already occurred long before economic conditions appear to be getting better. As in previous recessions, the housing market was the cause of this recession and for this reason, it will have to be one of the first things to break out of it. It is possible that real estate prices could be at or approaching their best values now.

Advise for sellers: Pricing your property is still the most important ingredient in determining whether you will be successful in finding a buyer. Other factors that influence a successful sale are preparation, presentation, and property exposure to the buying public. Pricing your property at its true market value and remaining flexible on terms is much more important than in the past few years.

It is always darkest just before the dawn. When the perception that everything in the real estate market is terrible begins to shift, sellers will react just as quickly as the buyers. Once the data shows the market has bottomed, perception will already have changed, which means the reality of property values will have already changed with it. When the mass media calls a bottom to the market, there should be a surge in property demand. As a result, the market will bounce off the bottom and begin its ascension. This is because as soon as it's in the general public's consciousness, it's already happened and the buyers are now caught in the rebound. Sellers are in tune to the economic news more than anyone because it has an impact on the sale of their property.

Each seller has their own set of unique circumstances, motivations and urgency for selling their property. Many of their reasons force the timing of their sales even if the market is favoring buyers. How much below that particular property's real market value the owner will sell for is based on their personal circumstances combined with their views of how bad the market is.

Where's the Bottom on San Juan? Many areas will reach bottom long before the national median sales price reaches the bottom. On San Juan, our median home price in 2008 was \$452,500 which was only down 6% from the 2007 price of \$480,000 for a home on less than 5 acres. Our median price for land in 2008 was \$150,000 which was down 10.5% from the 2007 price of \$167,500. Due to the size of our market and the demographics of our buyers, we didn't experience the level of decreasing prices that occurred on the mainland. We don't have a bank owned or foreclosed properties on every corner forcing our prices down. Our local banks are healthy as they didn't participate in sub-prime lending.

Activity has been increasing over the last three weeks; more showings, more offers and more escrows. While this may not mean that our market is turned around, we are definitely headed in the right direction.

The information contained in this newsletter was generated from a search conducted by Coldwell Banker on the Northwest Multiple Listing Service and the Real Market Data LLC Reports and represents listings and closings from all of the brokerage firms on San Juan Island, not just Coldwell Banker/San Juan Islands, Inc. If your Property is already listed with a real estate broker, please disregard. It is not our intention to solicit the offerings of other brokers. We are happy to work with them and cooperate fully.

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