



SAN JUAN ISLANDS, INC.

105 Spring St./P.O. Box 100, Friday Harbor WA 98250
(800) 451-9054/(360) 378-2101



Merri Ann Simonson

Managing Broker
Sales Manager
simonson@sanjuanislands.com

SAN JUAN ISLAND REAL ESTATE MARKET SUMMARY

The second quarter results which complete the first half of the year for San Juan Island were discouraging as the real estate dollar volume was down 23% from the same period in 2012. The number of transactions was equal to the first half in 2012 which confirms that our average sales price is lower than last year. Overall, San Juan County was down 6% from the same period in 2012 with very similar transaction numbers; 187 in 2013 and 183 in 2012.

TRANSACTION RECAP REPORT

TIME PERIOD	NUMBER OF TRANSACTIONS	DOLLAR VOLUME
First Quarter 2013	24	\$ 9,296,554
Second Quarter 2013	58	\$19,596,694
First Half 2013	82	\$28,893,248
First Half 2012	83	\$37,430,741
First Half 2011	83	\$34,278,952
TOTAL 2012	227	\$101,523,517
TOTAL 2011	156	\$ 60,116,241
TOTAL 2010	161	\$ 63,349,657
TOTAL 2009	151	\$ 66,069,632
TOTAL 2008	161	\$ 68,565,362
TOTAL 2007	253	\$144,392,887

Even though the dollar volume was discouraging we can see the light at the end of the tunnel. Per the NWMLS we currently have 44 pending transactions that are in escrow for San Juan Island. Since July 1st, there has been slightly more than \$14 million in volume plus future closings of the 44 pending transactions will go a long ways to catching up. The uncertainty will be whether the recovery is strong enough for our volume to surpass 2012. The recession was unprecedented so instability in our market recovery is expected. It may take several years for us to enjoy year-after-year increasing dollar volume again. A slower recovery is best for all as it will be sustainable and healthier.

Of course we are assuming that the light at the end of the tunnel is not a train heading our way due to increasing interest rates.

Interest Rate Concerns

The mortgage industry is interpreting the rise in interest rates as dire for the housing recovery and has communicated this in various trade papers. Many in the industry believe that the higher mortgage rates will force *a major pause in the housing recovery*. Only time will tell but I am confident that the press will make a mountain out of a mole hill which in it's self will cause *a major pause in the housing recovery*. Our buyer profile remains constant; 45-65 year olds buying as a second home or for retirement. This group of buyers have seen rates as high as 18%. Unfortunately, any interest rate increases will have the most impact on younger buyers. The various doom and gloom articles about interest rate increases are most likely intended for lawmaker's ears but will have an impact on us consumers regardless. The rise in rates may spur some buyers into action as low rates combined with rock bottom pricing is the combination they have been waiting for.

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As throughout the recession and recovery period thus far, the most active segment of our market has been in the homes that were listed under \$400,000.

RECAP OF PENDING LISTED PROPERTIES BY PRICE ON SAN JUAN ISLAND

\$0 - \$400,000	\$401,000 - \$600,000	\$601,000 - \$800,000	\$801,000 - \$1,000,000	\$1,000,000+	Land	TOTAL
17	6	7	2	4	8	44

RECAP OF LISTED PROPERTY CLOSINGS BY PRICE ON SAN JUAN ISLAND

	\$0 - \$400,000	\$401,000 - \$600,000	\$601,000 - \$800,000	\$801,000 - \$1,000,000	\$1,000,000+	Totals
1st Qtr	10	7	2	1	1	21
2nd Qtr	27	5	1	1	2	36

Please note that the recaps above only include properties listed in the NWMLS which is the only source for the “pending” data. The closed transactions are only through the first half of the year.

Per the Northwest Multiple Listing Service as of July 31st, there are 446 listed properties on San Juan Island, which is very similar to the 439 in June 2012. As reported above, there are 44 pending transactions and in June 2012 there were only 33. This again is encouraging as the percentage of pending transaction number to total inventory count in June 2013 is 9.8% versus the 7.5% in June of 2012.

Inventory has been stable and not decreasing which I attribute to the season as well as some sellers deciding to list as they are flooded with national real estate economic reports reflecting increases in prices, multiple offers and full recovery; overall a good time to sell. I believe they assume that is the case in our market, which is not correct. We have reached the bottom of our housing market for pricing but we lack any upward pressure on our pricing, in part due to the high level of inventory. A “buyers” market is defined as more than 6 months of inventory and a “seller’s market” is define as less than 6 months. In most categories, we are far from a “seller’s market”.

Many sellers are just as tired as the buyers about sitting on the sidelines with their lives on hold, waiting until the right time to buy or sell. As previously reported, our market lags the metropolitan areas of Seattle and Bellevue and those markets are very strong. It is just a matter of time until their momentum will arrive in our county.

We do care about the environment! In hopes of saving a few trees, I would like to furnish you an electronic version of this newsletter versus hard copy. Please send your email address to simonson@sanjuanislands.com.

We are pleased to announce that we opened our Roche Harbor Village office at the end of July. We are located next to the grocery store and are ready for business. Please feel free to stop in and visit our agents. We are open from 10 am to 4 pm daily. It is a seasonal office and will open in May and close the end of September. We will open for special events as we are part of the Roche Harbor Village community.

Our office has the Roche Harbor lots listed for sale starting at \$119,000. Two are currently pending and heading towards escrow. We also have a few of the homes that are being resold in the resort listed as well.

We expect this expansion will be good for our sellers and convenient for our prospective buyers in the Roche Harbor area as well as for all of the San Juan Islands including the non-ferry serviced outer islands.



The office is fully equipped for agents to show property, write purchase offers and property listing agreements. We look forward to better serving the needs of clients on the north-end of the island as the only real estate firm with an office at the Roche Harbor Village.