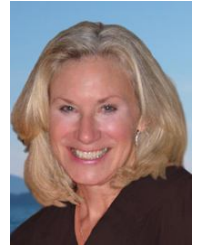




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SAN JUAN ISLAND REAL ESTATE MARKET SUMMARY

The first quarter results for San Juan Island were very exciting, as the real estate dollar volume was up 133% from the same three month period in 2013. The number of transactions was up 125%. Overall, the County had a 46% increase. This year San Juan Island was the top performer in volume and last year it was Orcas Island's turn to close the most volume in the first quarter. This year Orcas is up only 13.5%; there is no logic to explain the variations other than "it's a real estate market".

SAN JUAN ISLAND TRANSACTION RECAP

TIME PERIOD		NUMBER OF TRANSACTIONS	DOLLAR VOLUME
First Quarter	2014	54	\$21,691,303
First Quarter	2013	24	\$ 9,296,554
First Quarter	2012	29	\$11,900,101
First Quarter	2011	28	\$17,233,688
First Quarter	2010	25	\$ 9,245,940
TOTAL	2013	212	\$88,640,111
TOTAL	2012	227	\$101,523,517
TOTAL	2011	156	\$ 60,116,241

On San Juan, the average price for all property types for the first quarter was \$401,690, as compared to the same period last year when the average price was \$387,356. This is a slight increase of 4%. The increase for just single family homes on less than 5 acres is 3.1% over last year. An increase in average sales price doesn't equate to appreciation but evidences a trend that is heading the right direction.

As noted by the chart, the first quarter of each year has been very volatile. This year's first quarter results exceeded every year since 2007, when the total was \$29,053,927. As many may recall, 2007 was the year we peaked in our prices and our volume peaked in 2005.

As typical for this time of year, our inventory is increasing, which means that our supply remains beyond our demand. Per the NWMLS on April 9, we had a total of 392 properties listed, of which 51 were in escrow. The amount of transactions in escrow is also very encouraging. Last year in March we had a total of 316 property listings with 21 in escrow. The current inventory is 24% higher than the same time frame last year. Just in the last 30 days, we originated 60 new property listings on San Juan. I attribute this to pent-up demand to sell, brokerage firms processing their showcase catalogs, and, as mentioned, the time of year. I personally know of many sellers that were holding off to list their property waiting for more market recovery and they have now decided this is the year to list. Below please find details about the current property listings.

SAN JUAN ISLAND INVENTORY RECAP

Type	Active	Pending	Percentage Of Pending	Total	
Single Family Homes, Condos & Manufactured	190	46	19.5%	236	
Vacant Land	139	5	3.5%	144	
Commercial	5	0	0	5	
Business Opportunity	7	0	0	7	
Total	341	51	13%	392	

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As noted in the chart, the majority of properties in escrow are single family residences; we have 31 homes, 14 condominiums and 1 manufactured home transactions for a total of 46 escrows. Land sales continue to be sluggish due to lack of financing, lack of speculative and custom building, and lack of appreciation. Many buyers are choosing to buy existing homes and remodel since they are available for so much less than what it costs to build new construction. Land sales should increase as the market recovers and buyers are no longer able to find a suitable alternative and decide they need to build a custom home.

We currently have a 10 month supply of single family residences, including manufactured homes and condominiums, that are priced under \$400,000. This calculation is based on last years absorption rate of 68 sales in the category. (An absorption rate calculation is a snap shot in time and assumes no new inventory or listings being removed from active marketing). Historically, this has always been the most active segment of our market; currently, 28 of the 51 pending escrows are in this category or 55%. A buyer's market is defined as having more than 6 months of inventory.

RECAP OF PENDING BY PRICE ON SAN JUAN

\$0-\$400,000	\$401,000-\$600,000	\$601,000-\$800,000	\$801,000-\$1,000,000	\$1,000,000+	Land	TOTAL
28	13	1	1	3	5	51

In 2013, per the Real Market Data LLC report, San Juan Island closed a total of 17 transactions in excess of \$1,000,000 as compared to the 12 in 2012. This is a segment of our market that requires more recovery as well.

Most of the real estate community is very optimistic about the real estate trends. Showing appointments have been strong for the agents in my office and the overall opinion is that we will have a good year. Coldwell Banker San Juan Island's first quarter's volume production is up 145% over same period in 2013.

Advice for Buyers: Our market offers some great buying opportunities. We are a very conservative company, but we are willing to state that our market is poised for recovery. It may be in your best interest to purchase this year before the inventory is absorbed and the demand increases. Local agents are starting to buy investment property again which is another sign that it may be the right time.

Advice for Sellers: The property listings that are selling are those that are considered by the buyers to be the best value. Pricing remains the most important factor in our market. Many of our property owners have been waiting for the market to recover before they list. We recommend you list now but price right. There is no way to predict when appreciation will return and at what rate.

General Advice: The Critical Area Ordinance (CAO) is now in effect; supposedly once the new rules were in play, the uncertainty surrounding waterfront properties and properties with wetlands would no longer exist. This doesn't appear to be the case as there are layers of appeals in process, challenges and aggressive agendas remain present. Our County is now processing the update to the Shoreline Management Plan (SMP) which will formally define the buffer from the shoreline. The CAO update process that was initiated in June 2009 took until March 2014 to finalize. We all acknowledge that the CAO set precedence for buffers and that the majority of our shoreline is considered a critical area due to one of the various protection zones being present. What a buffer would be today, based on the new regulations set by the CAO, is a calculation that the County must complete as part of the Critical Area Review. The "Friends" are recommending further protection in the SMP with buffers up to 200 feet. A high percentage of our waterfront lots are 100 feet of frontage and one half acre in size or 220 feet deep. As you can guess, variances will become a very popular process and the fact that they are discretionary is a concern. I don't think the uncertainty will leave our market for several more years, or until the SMP is finalized. The sales of waterfront lots and under improved waterfront cabins will continue to be hindered. Our advice is to participate in the public process of the SMP and/or donate to the Common Sense Alliance.