

2010 in Review: A Year of Ups, Downs, Roars and Whimpers

Let's be honest: 2010 was a tough year for real estate. Here's how the market unfolded:

- In late 2009, there was a 50% increase in home sales here on the island from the same period in 2008, which opened up the possibility for a strong start to 2010.
- In the first quarter of 2010, sales were up 24.5% from Q1 2009.
- In the second quarter, sales were up a whopping 109% from Q2 2009.
- Between July and October, the market activity deflated dramatically, down 25.6% from Q3 2009.
- In November, we found our footing and ...
- ...we ended the year with a 19.8% increase in the total number of sales.

Theories abound regarding the ups and downs of 2010. We at Windermere/BI believe that we rode the coattails of the Homeowner's Tax Credit of 2009 ("drip up" theory) during the stronger months and suffered the same fate as most markets when the tax credit ended and took sales away from the following months. The 2010 market also reflected consumer confidence, which rose and fell throughout the year.

But let's discuss where we are *now* instead of where we *were*.

BUYERS ARE BUYING. From a general perspective, we feel the "under contract" line in the stats below - up from previous years - shows more about market health than any other single statistic. We see undeniably steady growth since 2007 and we are not "artificially" inflated by any tax bills this year. More buyers are in the marketplace and actually pulling the trigger on sales.

LAND IS SELLING. Another hopeful sign is land sales. There were only 11 land sales on the whole island in 2009. There were 24 in 2010. This is a huge statement of confidence. (It's noteworthy that all 24 sales were below \$400,000. So even though sales more than doubled, sellers of higher-priced land were not seeing direct benefit of the increase.)

PRICE DECLINES ARE LEVELING. If unit sales are looking better, what about prices? Depending on your segment of the market, there are indications that the rate of decrease has slowed. The median dropped 13.3% from 2007 to 2008, 7.4% from 2008 to 2009 and 1% from 2009 to 2010. These stats do not relate directly to any specific home; it just shows the median price buyers paid for homes in the period. Individual home prices are determined more by their competition, or comparables, and how many buyers are in their market segment. You can get an idea of how stable the prices are in a single segment by looking at the number and trend of sales in that category.

Single Family Homes Sold 2010

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Change %</u> <u>(09-10)</u>
Average Prices:	\$820,569	\$749,970	\$662,668	\$640,701	-3.4%
Median Prices:	\$680,000	\$589,500	\$546,000	\$541,000	-1%
Number of Sales:					
\$0-\$400,000	14	23	45	52	+15.5%
\$400,000-\$600,000	106	75	76	94	+23.7%
\$600,000-\$800,000	94	37	39	59	+51.3%
\$800,000-\$1M	53	20	23	23	+0%
Greater than \$1M	<u>65</u>	<u>33</u>	<u>29</u>	<u>26</u>	<u>-10%</u>
Total Sales:	332	188	212	254	+19.8%
Inventory*	207	203	186	193	
Under Contract	18	24	31	38	
"Available Inventory"	189	179	155	155	

* Homes for sale on January 3, 2011

Potential price dampeners include demand (especially in certain market segments), possible interest rate increases and the presence of distressed properties (bank-owned and short sales accounted for 20% of the closed sales last year).

At the risk of repeating ourselves, we continue to be cautiously optimistic about 2011. Our current market statistics are not what they were prior to 2007, but they're the best we've seen since the beginning of Q3 2007. There are many signs pointing to a more stable market than we've had for some time; consumer confidence is better than it's been in years; people are buying homes they perceive to be good values; and we feel prices will further stabilize in the more active parts of our marketplace. As always, we believe in the long-term strength of the Bainbridge Island real estate market.