



Bainbridge Island Real Estate Buzz 2009: Look back, glance forward

In the first six months of 2007, there were 282 real estate transactions (all types of properties) on Bainbridge Island (with an average price of \$713,500). By contrast, we had 112 transactions in the first six months of 2009 (averaging \$686,000). In the second half of 2009, real estate began to move a bit; we finished with 166 transactions between July and December (compared with 213 in the second half of 2007 and 120 during that period in 2008).

Home-buying activity has increased but housing prices are still sagging. Although this is a natural cycle and a necessary step prior to the market returning to positive figures, it is painful for all. For the year, home prices are down 12% on average and are 6.4% of the median home price of 2008. Prices are down an average of 20% since the height of the market in 2007; with a median price drop of 19.7%. While the lower prices fueled the transaction rebound, we must wait for prices to stabilize before we declare the market healthy again.

The condominium and land markets have also suffered recently. Condo sales rebounded from 42 in 2008 to 53 in 2009, but are still far behind the 2007 sales number of 133. The median condo price was down 15.2% from 2008 (\$330,000 vs. \$391,750) and 29% from \$464,070 in 2007. Land transactions did not see an increase in 2009 (11 in 2009, 15 in 2008 and 30 in 2007), but 55% of the land transactions took place in the second half of the year.

Here is a look at the numbers:

Single Family Homes Sold 2009

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Change % (08-09)</u>
Average Prices:	\$751,346	\$820,569	\$749,970	\$662,668	-12%
Median Prices:	\$661,000	\$680,000	\$589,500	\$546,000	-6.4%
Number of Sales:					
\$0-\$400,000	26	14	23	45	+96%
\$400,000-\$600,000	119	106	75	76	+1%
\$600,000-\$800,000	85	94	37	39	+5.4%
\$800,000-\$1M	63	53	20	23	+15%
Greater than \$1M	<u>56</u>	<u>65</u>	<u>33</u>	<u>29</u>	-12.1%
Total Sales:	349	332	188	212	+12.8%
Inventory*	190	207	203	186	
Under Contract	31	18	24	31	
Available Inventory	159	189	179	155	

* Homes for sale on January 4, 2010

Any good news? The growth in transactions is not just good news; it's great news. We cannot have any sort of recovery until people start to buy. We had been in a transaction freefall beginning in the third quarter of 2007 and continuing until the second half of 2009. Currently, inventory is down and pending sales (properties under contract) are up, signaling continued strength in transactions. It is ironic that one of our concerns is lack of inventory for buyers. Sellers are reluctant to list because of prices. Unfortunately, without enough choices, buyers often choose to delay purchasing or rent while they wait for new inventory.

What do we see ahead? Buyers are buying when sellers bring their prices to market conditions. The financing market has stabilized somewhat, although lending requirements are more stringent than in recent years. We do not see any price recovery in the near future. It is still a buyers market and the homes that have sold resulted from most sellers accepting less than they had wanted. Bank-owned and short sale properties represent about 14% of our current inventory, 24% of residential sales in the last 6 months, and nearly 40% of pending sales. These properties are aggressively priced and exert a downward pressure on their competition (similar type houses). Bank-owned and distressed properties will continue to be a factor throughout this year. They will also impact the appraisal process and financing for similar properties.

What's the upside? The pain of lower prices has created openings for buyers to afford to move. We are seeing people excited by the opportunity of moving to the island or to more desirable homes on Bainbridge. It has been a tough year, but we have fared far better than most markets. This correction has been painful to many, and an opportunity to some.

Please call or email if you have questions or would like the most up-to-date real estate information and trends. I look forward to helping you through the coming months and years in this ever-changing market.

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