

# Market Soundings

**John L. Scott/Anacortes**

**July, 2008**

**In this version of Market Soundings, covering real estate sales and conditions in the Anacortes/Fidalgo Island, Guemes Island and LaConner marketplace, we attempt to summarize 2008 activity and provide a mid-year outlook for sellers and buyers. It is our hope that the information and perspectives provided will help our clients and friends make more enlightened and market-relevant real estate decisions.**

## **Sunshine Always Makes For A Better Day.**

After a grueling winter and rainy spring, sunshine has finally come to Anacortes. Fortunately, better days usually bring a fresh foray of people investigating the many virtues of our fair city. And we are always delighted to show them around!

In our April edition of Market Soundings, we reported on what appeared to be a slight improvement in the pace of property sales. Of course, that assessment was quickly followed with a new round of reports concerning the weakness of the national real estate scene and corresponding losses reported by various mortgage banks and other financial institutions.

In our opinion, this continued pressure from the media put yet another damper on a market that was attempting to gain new strength. After all, conventional mortgage rates are still near all-time lows and credit-worthy customers are still able to obtain long-term financing.

We are happy to report that last month (June '08), the pace of single-family home sales, as evidenced by pending contracts, actually jumped past June 2007.

So, as we expected, we are beginning to see year-over-year comparisons come closer together. In fact, the -51% decrease in both closed and pending property sales has moderated to -42% for closed sales and -38% for pending transactions. Part of this improvement is also driven by the natural increase we experience in our markets during the spring / summer months. For example, the number of pending transactions for single-family homes (new and used) produced last quarter increased 27% from the previous quarter (Jan-March 2008). Closed single-family sales surged by 67% using the same, second vs. first quarter comparison.

The weakest part of the market continues to be vacant land sales. In 2007 sales of vacant land parcels totaled 28 by mid-year. Comparatively, there have been only 8 sales logged in 2008.

At June 30<sup>th</sup> there were 426 properties listed for sale on the MLS, representing a 17% gain

over the previous year. However, listings for single family residences increased by 22.6%, encompassing 385 homes in all price ranges. All of this increase was in the category of resale versus new construction listings, which remained flat versus the previous year. Based on the number of June closed sales, it would take 12 months to sell through the current listings in our market.

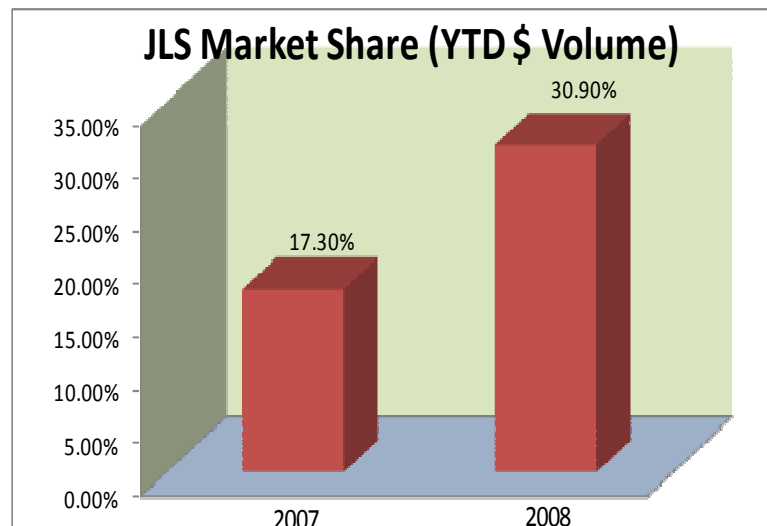
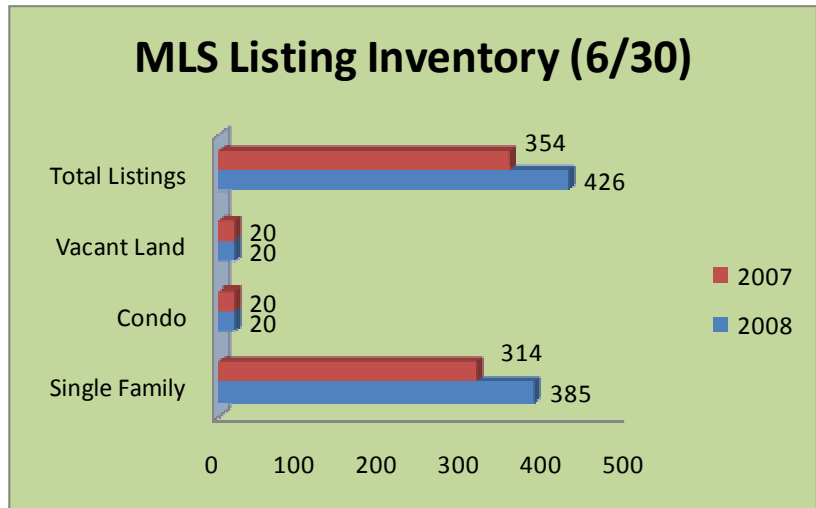
**Caution---Understanding Price Relativity Can Be Difficult.**

We are questioned daily about how much the price of homes has dropped in our market. This may be driven by the fact that newspapers and other media continually

make statements about price relativity on the basis of the average or mean price of sold homes in a given area. For example, a recent article about plunging home prices in California stated that prices had decreased by 13.6% versus the previous year. Again, this was based on average sold prices. But what this fails to take into consideration is the fact that the mix of homes sold can be (and probably is) dramatically different from one period to another.

We computed the average price of closed, single-family home sales in our markets during the second quarter 2008 (April-June) and found the average to be \$411K. This is actually 2.9% higher than the average of sales during same period in 2007. Does that mean that our prices are still climbing? Based on what we are experiencing in the market, we believe the truth is that prices of comparable homes has decreased while average prices are telling a different story. For our next Market Soundings, we hope to provide a more detailed evaluation of price movement in several price categories.

**Our John L. Scott Team Is Working Hard.**



2008 is proving to be a very challenging year for everyone in the real estate business. But, talented professionals always rise to the occasion, as demonstrated by our group's ability to come very close to matching last year's production numbers and significantly grow share of market. In June, 2008 we were also pleased to announce that John L. Scott/Anacortes had been awarded a contract to represent San Juan Passage---a new 100 home development featuring classic, sea-coast architecture located near the San Juan Ferry landing.