

Real Estate
News from...

Merri Ann Simonson



San Juan Islands, Inc.

Spring 2005

SAN JUAN ISLAND REAL ESTATE MARKET SUMMARY

In reviewing the first quarter results for 2005, the real estate market volume on San Juan Island was extremely active and the volume exceeded the same period in 2004 by a whopping \$22,431,455 or 112%. We averaged 39 transactions per month as compared to the 30.5 per month during the year 2004.

The high-end sales had a strong impact on the volume this first quarter. A total of 5 sales closed in excess of \$1,000,000. I have listed the sales below:

10 Unit apartment Building	\$1,150,000.
Technology Center Retail/Office	\$2,048,475.
120 Acres off Roche Harbor Rd	\$1,800,000.
157 Acres in the Valley	\$1,850,000.
Carefree Water Front Home on 6 acres	\$4,300,000.

It appears that our capitalization rates are becoming more attractive to investors as two of these properties are income property.

The second quarter has a strong start as well. As of April 19, seven transactions are under contract or already closed in excess of \$1,000,000; Three waterfront homes, one acreage parcel, one waterfront lot and two income properties including Lakedale for \$4,700,000.

TRANSACTION RECAP REPORT

PERIOD	NO. OF TRANSACTIONS	DOLLAR VOLUME
First Quarter 2004	68	\$ 19,993,832.00
First Quarter 2005	119	\$ 42,425,287.00
TOTAL 2004	368	\$143,716,501.00
TOTAL 2003	343	\$104,238,973.00
TOTAL 2002	352	\$102,852,851.00
TOTAL 2001	297	\$ 87,058,702.00
TOTAL 2000	361	\$ 95,302,250.00
TOTAL 1999	466	\$113,512,560.00
TOTAL 1998	431	\$ 88,754,026.00

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Increasing the inventory has been the most difficult aspect of our market. Supply has not kept up with demand which has caused the upward pressure on prices.

According to the Northwest MLS service for San Juan Island, we have a total of 235 listings of which 47 are under contract and are heading towards escrow. Coldwell Banker represents 94 of the listings or 40%. The inventory has increased by only 19% since January 2005.

Due to the low inventory level multiple offers and bidding wars have become a regular occurrence. Unfortunately, due to the nature of this process, not all of the parties involved end up satisfied. In some situations, the successful buyer is concerned about paying too much as they became emotional during the bid process. The unsuccessful buyers and their agents are disappointed as they were not able to compete to the level required to be successful. For many properties, full price is not enough. Ultimately, it is the seller's choice whether to participate on a bid process. However, as in the sale of most types of commodities, the seller desires to obtain the highest price that the market will support .

For three years now, there have been statements among some economists that this current run-up in housing values might be too much, too fast to maintain and may result in a correction, "The Real Estate Bubble." According to PMI Mortgage Insurance Co, the risk for an overall housing price decline has lessened since last fall. Unfortunately, these concerns expressed by experts have influenced some buyers to hold off and delay their investment. The end result is these buyers have missed the front end of one of the strongest markets in San Juan's history.

I believe that San Juan is not at risk for declining prices for the next few years. Buyers are reinvesting their funds in the San Juans as their other markets "top out." We offer a respectable capitalization rate for income property, great appreciation rate overall and a terrific second home or retirement location. For many, it is also a great place to live and raise a family.

Many potential buyers are regretting not purchasing in years past as they now believe they are being priced out of our market. I still believe that if one compares our area to other similar destinations, we offer quality real estate for the same and in some cases, less money.

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**Interest Rates
as of April 20, 2005**

<i>TYPE</i>	<i>RATE</i>	<i>POINTS</i>	<i>APR</i>
CONVENTIONAL LOANS (UNDER \$359,650)			
30 Year Fixed	5.50%	1.00%	5.642%
15 Year Fixed	5.00%	1.00%	5.239%
1/1 Year ARM	3.30%	1.00%	3.501%
JUMBO LOANS (OVER \$359,650)			
30 Year Fixed	5.625%	1.00%	5.768%

The rates continue to remain very attractive. The secondary market recently increased the conforming loan limit to \$359,650.

The quotes above have been supplied by Larry Wikan from First Horizon. 206-691-6918

As a prospective purchaser, I thought this information would be of interest. If you would like additional information regarding our market, please be sure to contact me.

If your plans have changed and you no longer desire to purchase property in the San Juans, please be sure to contact me so that I may remove you from my e-mail and other mailing lists.

The information listed above was generated from the Northwest Multiple Listing Service and the San Juan County Digest. It represents listings and closings from all of the brokerage firms on San Juan Island, not just Coldwell Banker San Juan Islands. Inc.