

News on the Sequim Washington Real Estate Market

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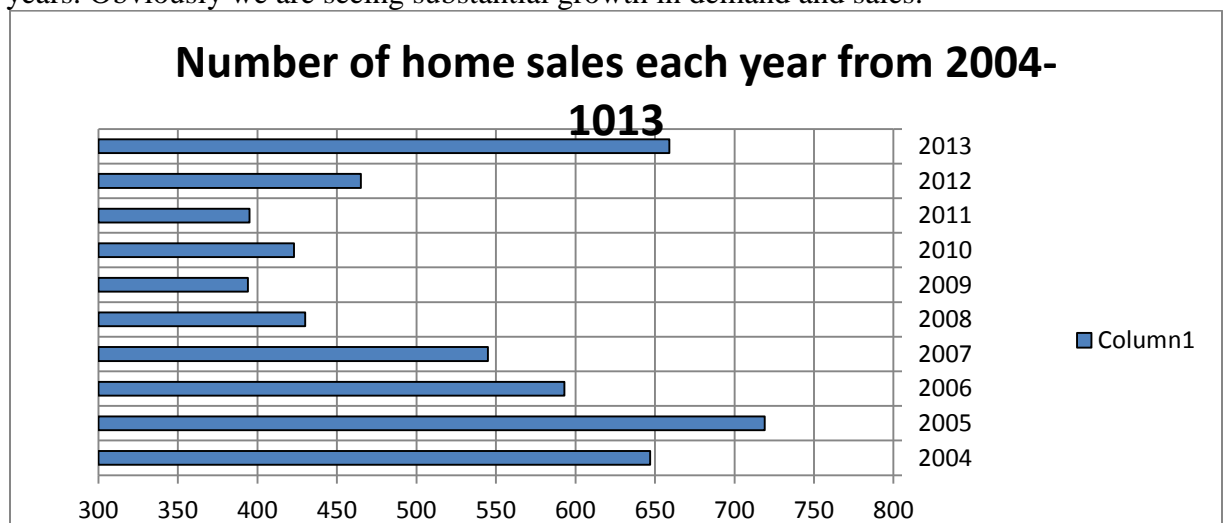
Sequim Real Estate, 2013 in Review

As 2013 came to a close most in the real estate industry in Sequim most of us were welcoming the break that came with the holidays. 2013 was the second best year for residential real estate sales in the last decade. Below is a brief synopsis of what we experienced and a general reflection on the decade that preceded it.

Housing

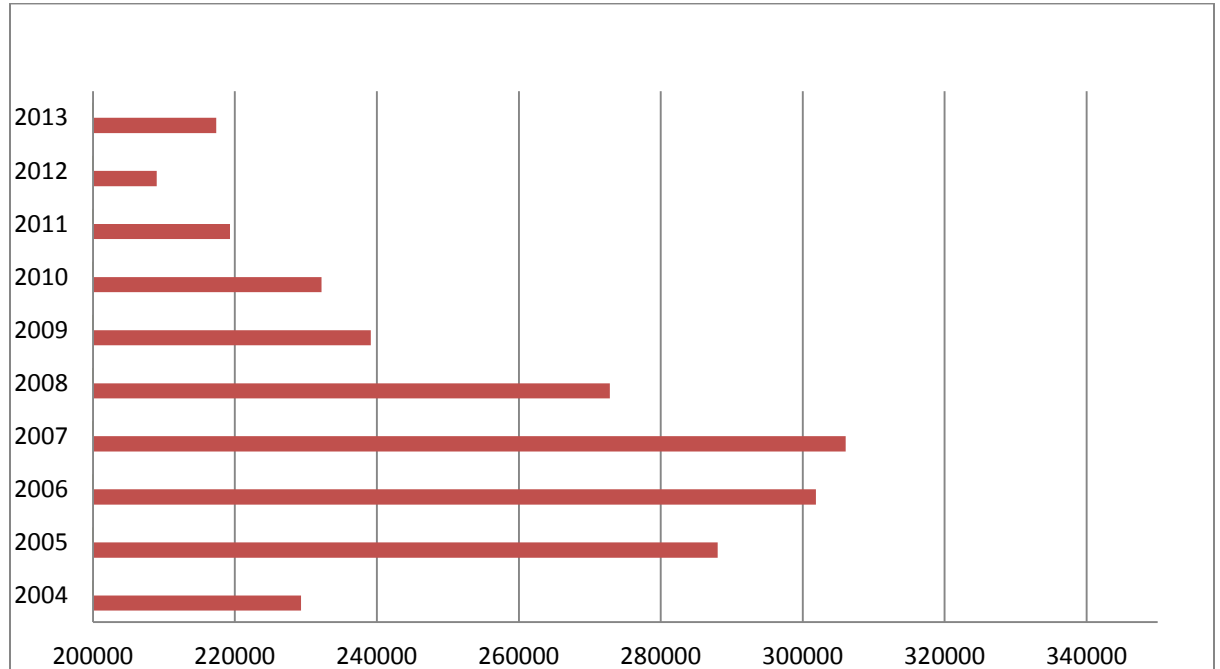
Housing sales were up considerably in 2013. Six-hundred fifty nine sales occurred with an average sales price of \$208,963. While this was a decrease of roughly \$10,000 in average price, the numbers suggest (based on year over year re-sales) that prices were actually up about 2%. The decline in average sold price actually results from the fact that the market for more expensive homes did not increase as much as the rest of the market.

Below is a chart showing the number of units sold each year over the last 10 years. Obviously we are seeing substantial growth in demand and sales.



While it is hard to argue with the fact that we are seeing a huge increase in demand, it is equally obvious upon closer examination that the market is not seeing much overall increase in average selling price. The chart below shows the average selling price.

Average Sold Price of Homes



2013 shows a modest increase in overall average sales price but it is the first increase in the last 6 years. Although sales have been increasing for the last couple years it took a while to get through the backlog of inventory and get to a point where the demand outweighed the supply. We have reached that point and the market could probably best be described as balanced. Most homes under \$400K are selling quickly (if priced appropriately) and without a huge amount of negotiation.

The one exception to this is the higher end of the market (over \$400K). This price range still favors the buyer as homes are taking a while to sell. Inventory is still high in this price range and demand is somewhat limited.

Land

Land sales continue to be relatively flat in number of units sold with just 1 more property sold in 2013 than was sold in 2012. The average sold price was up a little over 20% and sat at a median price of \$72,250 for 2013. This appears to be more a

result of more expensive properties selling than and increase in value.

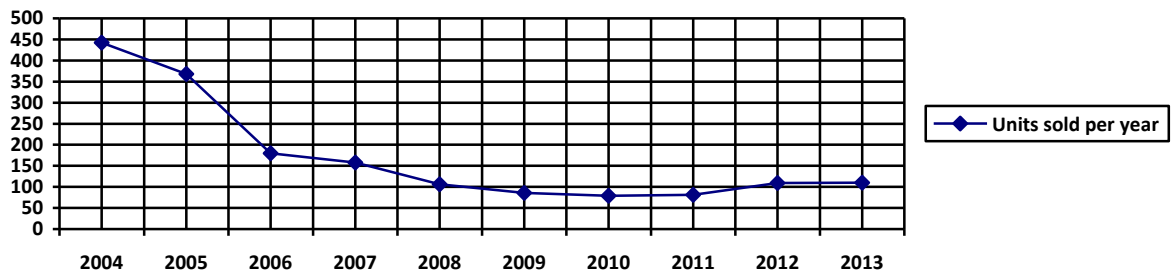
There has been an interesting change in land sales in the last two years. Typically in a normal year the Sequim market will absorb an average of about 160 lots. Of this, roughly 100 will be sold to homeowners as custom home sites and 40-60 will be sold to builders as sites to build housing for sale.

Since 2008 almost all of the land sales have been to homeowners since there is almost no available financing for construction of salable housing inventory. In Sequim there is and always has been a strong demand for readymade housing. Since we are a retirement community, many residents moving from out of the area need to move out of their current home somewhere else, and into their home here, and do not want to move twice. Currently it is almost impossible to get attractive financing for a home you are building to sell.

So while the land market is completely normal in terms of the number of sales for custom home sites, there is still that missing component of the market that used to be filled by the demand for new housing for purchase. We are starting to see that type of financing come back on a limited scale and expect to see that trend expand.

Currently we have 3.9 years of inventory if all the lots are sold as custom Home sites. We only have two years of inventory if builders begin to build for resale on a larger scale again. This means that the next two years should provide an optimum time to invest in land.

Below are graphs showing the last decade of land sales both in median price and number of parcels per year.



Commercial

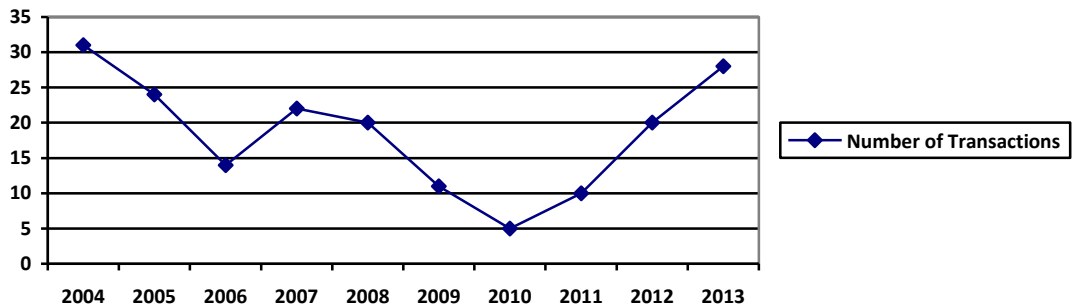
The market for commercial property also strengthened greatly in the last year marking the 3 straight year of gains for commercial real estate in Sequim. Because we don't have a comprehensive segregated commercial marketplace it can be difficult to track the exact amount and what type of activity.

General trends based on MLS info were:

1. Increased demand for retail
2. Increased demand for office space, especially medical

3. Lower overall sales prices
4. Lower overall rent prices
5. Large increase in both sales and leasing
6. Average office rents would seem to be about \$1.20/sf with specific terms varying greatly.
7. Average retail rents would seem to be \$1.10/sf with NNN being the most common terms.

Below is a graph showing the number of transactions per year according to MLS data



Looking forward

I am writing this in early January of 2014. Heading into the New Year we are continuing to see increase demand for Sequim properties of all types. While the land market is not showing the same increased demand as the housing and commercial markets I believe it will within the next two to four years and that it may represent a significant investment opportunity.

I am thankful both to God and to many loyal clients that made me successful regardless of market conditions. If you have questions, or if I can help you accomplish your goals in Sequim or Port Angeles real estate, feel free to give me a call.

Brody Broker
360 477 9665

brodybroker@olypen.com
www.welcomehomesequim.com