



2023 Q1 - MARKET REPORT

To say that we, both real estate professionals and consumers alike, have been sitting on the edge of our collective seats waiting to see what type of market 2023 would bring would be an understatement. During the pandemic we found ourselves in a market with a level of demand no one could've predicted and, coupled with historically low interest rates, the market of 2020 through the first half of 2022 quickly became the most active and competitive market we have ever seen with rapidly declining inventory and steadily rising home prices. Then, as the pandemic began to wind down, inflation rose, and interest rates also began to rise in response as the Fed tried to control the inflation rate. The market hit a significant slowdown in the latter part of 2022 leaving us asking "Where are we headed?"

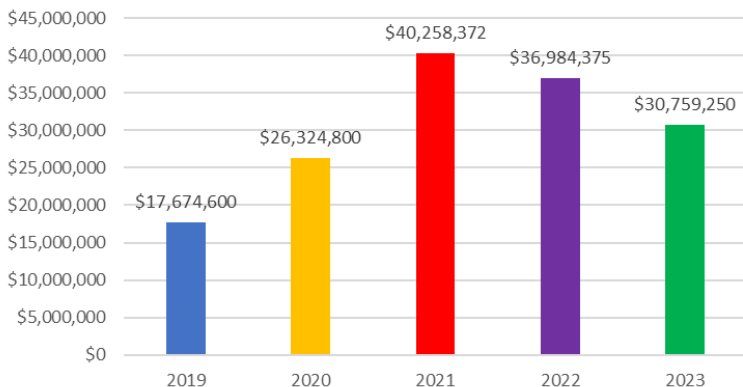
Since the past couple of years' worth of market activity (2020-first half of 2022) were very unusual and not markets that are considered "typical", we must look back to pre-pandemic markets for end-of-quarter comparison.

At the local level, specifically on San Juan Island, the 1st quarter of 2023 was a relatively strong market, even with economic uncertainties. The number of closed sales transactions across all property types during the first quarter of 2023 is up 17% and the overall dollar volume of sold properties has increased 43% as compared to the first quarter of 2019. Even when compared to the activity in the first quarter of 2022, the number of transactions in the first quarter of 2023 is down just 7% and volume down roughly 17%.

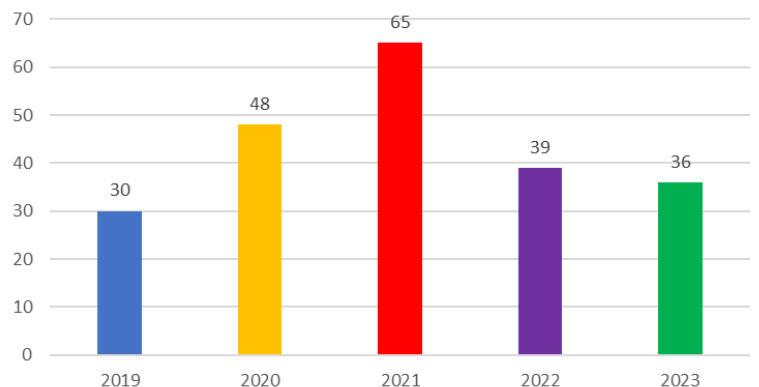
Similarly, across San Juan County, we saw a decrease in the number of closed transactions in 2023 over 2019, down 3%, but a dramatic increase in dollar volume of 45%. As you can see in the charts below, while overall activity slowed, home prices have not yet seen a significant decline from the pinnacle they reached during the height of the pandemic, though prices are now correcting slightly. At the end of the 1st quarter of 2023, the average sales price, for single-family residences and condominiums, was \$994,491 and the average home sales price in San Juan County for the same aforementioned criteria, was \$1,450,733.

Many economists remain mixed as to how far home prices will drop this year, nationally, and some experts are projecting as much as a 5% drop in some markets. Locally, at the end of the first quarter of 2023, we are seeing an average sale to list price of 97.1% compared to the 95.4% we saw in March of 2019. This has dropped a bit from the 99.8% we saw in March of 2022.

Dollar Volume on San Juan Island Q1

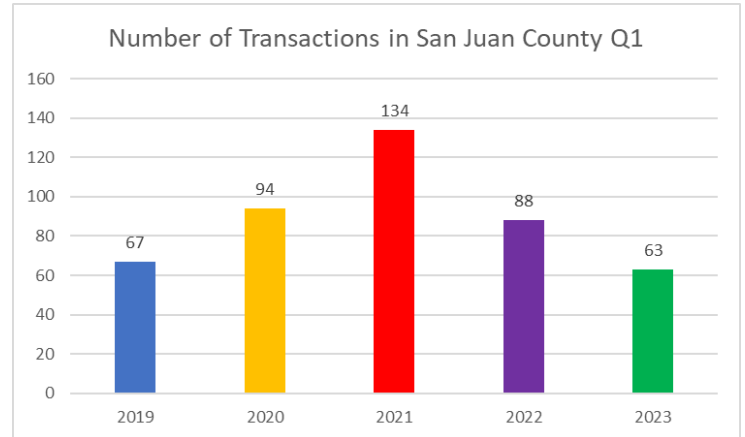
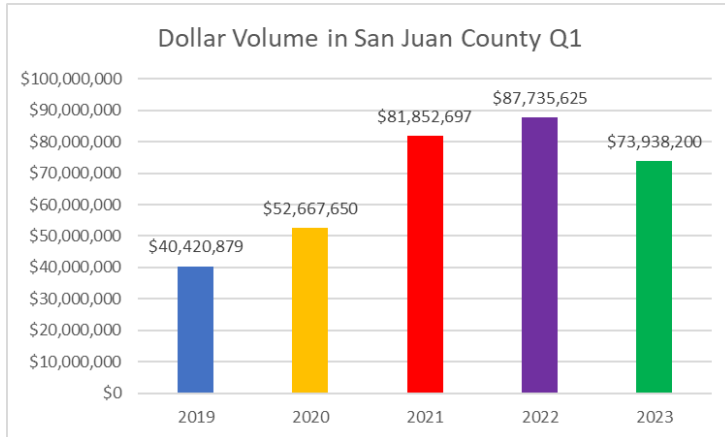


Number of Transactions on San Juan Island Q1





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There are many factors that affect home sales prices, the biggest factor being supply & demand. Inventory levels, both locally and nationally, have been on a steady decline over the past few years. Options for buyers are still limited, however, at the very end of the first quarter of 2023, on San Juan Island, we have had a (likely seasonal) influx of new listings bringing our months of inventory to 6.7 months (and 5.8 months in San Juan County.) “Months of Inventory” is the number of months it would take to run out of inventory, should listings continue to sell at the pace they have been, without any new listings coming on. For perspective, 6 months of inventory is considered a “balanced market.”

Another factor that will affect how much further correction we see in home sales prices this year will be where mortgage interest rates go. While we have seen volatility in interest rates over the past several months with mortgage interest rates climbing to as high as 7%, many experts and economists believe we are nearing the end of the major spikes and anticipate rates coming back down and settling more in the neighborhood of 6% by the end of May, though this will largely depend on inflation levels. Nadia Evangelou, senior economist at the National Association of Realtors and director of real estate research, says: **“With mortgage rates projected to stabilize below 6% in the second half of the year, more Americans will likely become homeowners, boosting the homeownership rate.”**

Though many buyers had stepped out of the market due to lack of inventory, interest rates, and other economic uncertainties, pent up demand is still palpable. So, when is the right time to buy? Many experts say “now” and caution buyers against waiting for prices to drop significantly as they may end up disappointed. Further, many mortgage brokers are reminding their clients to “Marry the Home, but Date the Interest Rate” meaning if you are looking to buy but are put off by interest rates, it may not serve you to try to wait out rates. Inventory levels are not expected to drastically improve and, as interest rates settle back down, competition in the marketplace will only increase and buyers may find themselves wishing they had bought sooner and refinanced for a better rate down the road.

Did you know in 2022, our brokerage ranked #1 in San Juan County by total dollar volume sold and number of transactions? We also maintained a 47% market share on San Juan Island - nearly 20% more than our nearest competitor. Further, 7 out of the top 10 brokers on San Juan Island, ranked by dollar volume sold in 2022, worked for Coldwell Banker San Juan Islands, Inc! If you are at all considering buying or selling real estate in the San Juan Islands be sure to contact one of our amazing brokers to see how we can help. With our local market knowledge, exceptional marketing tools, and our unwavering commitment to our customers and clients, it is clear to see why Coldwell Banker San Juan Islands, Inc is the right choice for you!

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