

Atlantic East Nantucket Real Estate

3rd Quarter Market Report

Although we know that all markets go in cycles, we now have sustained hard evidence that the real estate market on Nantucket is improving. Here is the real story.

The statistical summary: With the 3rd quarter on the books, we can report that the number of sales on Nantucket for 2012 is up 28% compared to the same time one year ago; the dollars represented by those sales have increased 37%. There were 317 closings through September 30th, compared to 347 for all of 2011. The value of real estate sold on Nantucket so far in 2012 is \$500 million, compared to \$531 million for all of 2011. With the fourth quarter expected to be one of the best in years, we are on track to have a very solid recovery year.

How it breaks down: So far this year there have been 265 homes sold (including condos and co-ops), 39 pieces of vacant land and 13 commercial properties. This compares to 2011 with a total of 297 homes, 39 lots and 11 commercial properties sold during the entire year. During the bottom of the market in 2009 there were a total of 237 sales for the entire year.

The current market climate: There is no question that we are in a market in transition. The amount of inventory is declining (based on the number of sales and a slower rate of new listings coming on the market). When a new listing hits the market that is well priced there is often interest from multiple parties and more than one offer. Some of the listings that have been languishing on the market for years have had recent price reductions to reflect current market conditions. Interest rates are even lower than they were one year ago and the supply of available funds has loosened up considerably. Buyers who are qualified, or do not need financing, are in the best position to move quickly and the ability to move quickly is a huge advantage in the current market. The average property on Nantucket is now selling for 92% of list price and 107% of assessed value. The average time that a property is listed for sale is down: earlier this year it was 10 months, it is now 9 months. In 2008 it was the highest we remember at 11.75 months.

The price of an average home on Nantucket is on the rise: At the end of 2011, the price of an average home on Nantucket was \$1,528,000. Today the average price of a home is \$1,612,000. The median price of a home on Nantucket in 2011 was \$1,103,000 and is \$975,000 today (brought down largely by the continued sale of distressed properties still in the inventory pipeline). We anticipate the median price rising by the end of the year based upon the number and price range of current pending sales.

The number of land sales is on the rise: For the first time since 2007, the sale of vacant land has picked up, largely because buyers have fewer choices than they did during the recession. When there were over 600 properties for sale on Nantucket a buyer could usually find a house that fit their needs. With the number of listings down 30%, more buyers are opting to buy vacant land and build. The number of building permits being issued is increasing, another good sign for the local contracting community and economy.

Capital Gains taxes going up in 2013: Taxes on long-term capital gains are scheduled to increase on January 1, 2013 whether the Bush tax cuts are extended or not. Today the marginal tax rate on long-term capital gains is 15%. If the Bush tax cuts are extended the new rate will be 18.8%, an increase of 3.8%. If the Bush tax cuts are not extended then the regular capital gains tax rate will rise to 20%. We are seeing, in the Nantucket real estate market, some impact of this with closings being scheduled for the end of 2012 rather than in 2013.

What next? The Case Schiller Home price indices rose across the board for yet another quarter showing positive national growth through the third quarter of 2012. In the past, the Nantucket market typically comes out of a downturn more rapidly than a primary home market and it appears that this will be the case again this time. We continue to be optimistic about the short, and long-term, future for real estate on Nantucket.