

# Real estate market booming

By Joshua Balling

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The Nantucket real-estate market is once again solidly on the rise, with the total dollar volume of transactions for the first half of 2014 up 61 percent over the same period last year – the highest it's been since before the global economic meltdown of 2008.

From Jan. 1-June 30, \$388.6 million in real estate changed hands in 249 transactions, up from \$241.2 million in the first two quarters of last year, and 40 percent higher than the \$277.6 million in the first half of 2012, according to statistics compiled by Rob Ranney of Denby Real estate.

You'd have to go back to 2006's \$484.4 million to see more dollar volume in the first half of a year. The figures are still a far cry from the boom years of 2004 and 2005, however, when more than \$1 billion in property changed hands annually. In the first six months of 2005, by comparison, there were \$531.5 million in sales.

"The market is very good right now, much better than last year and certainly those years prior. In most cases prices are still not back to where they were prior to the recession, but activity has increased tremendously and that should change over time. It takes a while to recover from something like we just came through," said Craig Hawkins, a broker with The Maury People/Sotheby's International.

The average home price through the first six months of REAL ESTATE, PAGE [17A](#)

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– Penny Dey Principal Atlantic East Real Estate



This bar graph shows the ups and downs of first-half Nantucket real-estate sales since 1995. Sales peaked in 2005.

Courtesy of Windwalker Real Estate

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### Real Estate: Sales up over 60 percent from last year

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2014 was \$1.73 million, among the highest in the country but down 12 percent from last year's \$1.94 million and 7 percent from 2012's \$1.85 million.

The median price – the exact middle of the market – however, was \$1.2 million on June 30, up 4 percent from last year's \$1.15 million and down less than 1 percent from 2012's \$1.26 million. The average number of months homes have stayed

on the market so far this year is 10, a month less than last year and two less than 2012, and there have been five foreclosures finalized on Nantucket through 2014, compared to 12 in all of last year and 35 in 2012.

Island real-estate agents attributed the booming market to a recognition among those with means that the bottom has been reached and the stock markets' continuing improvement, and in general expressed optimism about the future.

"There was a lot of wealth on the sidelines throughout the recession. People have realized that the bottom of the market has come and gone. The Nantucket market typically follows the stock markets, another indicator that we are in the midst of an appreciating market," said Penny Dey, principal of Atlantic East Nantucket Real Estate.

"Lots of people are followers of the market and recognize that real estate on Nantucket started to rebound in 2012. Many buyers had been longterm renters in the past. There are also many investor and speculative buyers right now."

Ranney also pointed to a steady rise in the number of building permits issued on the island over the last four years as a sign the market is firmly on solid ground. Since 2011, when 54 single-family-home building permits were issued, the number has climbed to 58 in 2012, then 108 last year, and 65 so for this year, for an annualized rate of 130, he said.

Dey pointed out that the average selling price of a home, as a percentage of its listing price, is currently 95 percent, the highest in a decade and a solid indicator of a resurgence in the market.

Some agents even said the island could see another billion-dollar year by Dec. 31.

"The market appears to be taking a bit of a breather so far in July. But if you look back historically, July transaction figures dip from June before August through October transactions fire up again. If we assume the market can sustain its second-quarter pace, where transactions improved 7 percent from 2013 and dollar volume 29 percent, we may very well see a \$1 billion Nantucket real-estate year again," said Jennifer Shalley of Windwalker Real Estate.

Dey wasn't willing to go quite that far – but almost.

"A typical pattern for this time of the year is that we will see some price reductions in the next month or so of those properties that have languished on the market for a while and are overpriced. My estimate, at this time, is that total sales on Nantucket will be between \$900 and \$950 million for the year. In 2013 it was \$748 million."

Hawkins tempered the optimism slightly, however, by citing some of the current global economic and political unrest.

"The market is on the rebound for now. I have no idea what the future will bring given everything going on in the world and the debt this country has that everyone seems to want to ignore," he said. "I am given some pause by the dollar declining in value, the number of people not working and on government assistance and the debt we are accumulating by the hour. No economy can sustain that for very long."

Properties are selling across all sectors, with those in town, along the Cliff just outside of town and along the water doing the best. Unlike some past boom years, however, the superhigh-end of the market is not the driving force, several agents said. There have been just three transactions over \$10 million and 12 over \$5 million through June 30, topped by the \$15.5 million sale of the Harborview Place condominium complex on Washington and Commercial streets. The third-highest sale was also a commercial one, the \$10.73 million sale of Nantucket Bank's properties on Orange Street, Pleasant Street, Madison Court and Amelia Drive to Blue Hills Bank. Other top deals so far this year included two properties on the Cliff: One for \$10.737 million on Grant Avenue and another on Cliff Road for \$8.7 million.

"This up-market seems to be happening without a large number of super-high-end properties selling. It's much easier to sell a house in the \$2 million range based on the simple fact that there are many more buyers and this size acquisition can be financed with favorable lending," said Bill Liddle of Great Point Properties. "Nantucket is a second- and third-home market for most buyers. Buyers in the higher end are exercising pragmatic decision-making. Nantucket is a discretionary investment and buyers need comfort in logic before committing."

The highest of the high-end properties remain on the market, several having languished there for more than two years, including the 56-acre Swain's Neck estate on Polpis Road for \$35 million; a 15.5-acre waterfront Shawkemo estate for \$27.5 million; and 9 Lincoln Ave., owned by clothing designer Tommy Hilfiger's ex-wife Susie, currently listed at \$24.9 million.

"Given the surge in dollar volume from 2013, it may be surprising to some that 2014 has hosted only one residential sale over \$10 million compared to the four transactions that took place during the same time last year. The jump in dollar volume, over and above what's stemming from the overall increase in the number of transactions, is actually coming from increased buyer activity in the \$2 million to \$4 million price point. This segment of the market has seen nearly triple the activity from the year before, a sizable shift in purchasing power considering that the sub-\$1 million price point dominated over 50 percent of transactions in 2013," Shalley said.

Hawkins said he expects to see the higher-end properties begin moving soon, as the market picks up again as fall approaches.

"The average sale price is inching it's way back up and in September and October you will see more higher-end sales transferring," he said. "Our busy season is really just beginning and by the end of September I expect the inventory of high-end properties to be way down."

Shalley was quick to point out that a number of factors indicate the current run-up is not just a temporary bubble, including the fact that recent year-over-year increases are still more moderate than during the billion-dollar boom years, and the fact that first-quarter activity last year was lower than expected.

"The first half witnessed the largest year-over-year increases in transactions (up 28 percent) and dollar volume since the run up to the last high point of the market in 2005. The strength of this rebound has some buyers concerned that the market has rebounded too quickly but it's important to note a few key points. The year-over-year increases are far more moderate than the 100-plus percent increases in transaction and dollar volume the market saw in 2004 and 2005," she said.

"Additionally, the median home sale value as of June 30 is currently 34 percent off the height set in 2008, and, lastly, while the surge in transaction volume and dollar volume is most certainly impressive, a significant portion of it stems from the 70 percent and 130 percent respective increases in the first quarter over last year. This is notable given that the first quarter last year was artificially low due to the front-ended activity in the fourth quarter of 2012 that came as a result of the anticipated increase in the capital-gains tax."

Inventory on the whole is declining, agents said, with few listings in the \$1 million and below range. There are currently no single-family homes on the market under \$500,000.

"There is very little remaining in the low end. The midrange is moving well again and so is the upper range," Hawkins said. "Some areas are doing better than others but I expect it will even out within the next three months."

Given the prices, buyers continue to remain high-net-worth individuals, most from the Northeast, but "we are seeing more and more people from across the country coming here, and more Europeans," Hawkins said.

They are attracted to the island's isolation, its large tracts of protected open space, and its reputation as one of the country's premier vacation destinations, Liddle said.

For the time being, most agents see Nantucket real estate remaining a seller's market, but given some of the prices now being asked, that could change, Shalley said.

"The 2014 Nantucket real estate market is by and large a seller's market given the strength in demand and the limited supply of desirable inventory. However, we are beginning to see fairly bullish price increases by sellers who are testing the market. It remains to be seen whether the market will support them."

Hawkins, however, felt the current market evenly favors buyers and sellers, but could soon shift more toward the seller.

"I would say it is approaching even. There are still some excellent buys out there but the market is changing again rapidly. Availability is becoming more limited and prices are inching upward."

For the most part, agents said, they believe homes are being priced appropriately. Those that aren't tend to stay on the market for longer periods of time, and are often reduced in price more than once.

"There will always be those sellers that overprice their homes for the market and those rarely sell. They tend to sit on the market, get multiple reductions and become stale. You can explain that until you're blue in the face and people still do it," Hawkins said. "And they eventually end up getting less than they would have had they priced it properly to begin with."

"Property pricing is dictated by the speed with which a seller wishes to sell. There are always

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## Real Estate: Islanders being priced out of the market

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situations where a particular property will be priced more competitively and will sell faster than the competition," Dey added. "When a property is priced correctly, in many cases, it generates multiple offers. There is an overall urgency to the market that has been absent until recently."

Several agents acknowledged the dark cloud around the silver lining of the booming market: The strain on both renters and home-buyers from the island's middle-class and service economy, made even more taxing by Nantucket's isolation 30 miles out to sea, that is forcing some to leave the island and many more struggling to make ends meet.

"We (attempted to create affordable- housing opportunities) a number of years ago and in a big way. We created a lot of it through re-zoning areas, allowing condo situations, covenant housing, etc. But it only works for a while and in a good economy, and then appreciation makes it unaffordable all over again," Hawkins said.

"There simply are places in this country, and around the world, where everyone cannot and will never be able to afford to buy. There are many places in this country like that and unfortunately, because it is an island and land is limited, we are one of them. Many people live in Manhattan, Carmel, Aspen and Vail, and they rent because prices are very high. Or they live in the next town or two towns over where real estate costs less. Nantucket has very limited space and we are an island. The next town is Hyannis."

"The housing shortage on Nantucket is a problem for everyone. The pressure for families to leave is greater than ever. While they may be friends and family to some, they also are typically providing services to all whether they are teachers, plumbers, carpenters. This is the island's biggest issue and we are all impacted," Liddle said.

Efforts are being made, however, and they should continue, Dey stressed.

"I think our community should energetically support such efforts as the Sachem's Path (affordable-housing) development which has been in the planning stages throughout the recession. Sachem's Path offers ownership opportunities to folks making up to 150 percent of the median income for Nantucket County. Out of necessity many businesses on the island have had to acquire and provide housing for their seasonal workforce," she said.

"The Nantucket Housing Authority and Housing Nantucket continue to work hard to offer affordable rentals and Habitat for Humanity has plans to build more houses on island. The town has been generous with surplus land but, in my opinion, should be taking a greater leadership role in the affordable-housing sector. A few years ago Town Meeting voted to acquire the property at 2 Fairgrounds Road from the Nantucket Electric Company largely because we were promised that a major part of it would be used for affordable housing."

To date, nothing has been built there.