

MARKET NEWS 3rd Q 2014
Atlantic East Nantucket Real Estate

Last week's national job numbers are encouraging with the unemployment rate falling below 6% for the first time since 2008. Interest rates remain relatively unchanged but, if the labor market (and broader economy) continues to pick up steam, that may increase the chances of the Federal Reserve raising interest rates in the spring of 2015 instead of waiting until the summer. One local lender recently shared with us that many of the people that got pre-qualified for loans during the summer are turning into actual borrowers now. She often hears, "Well we vacationed here for the last 5 years and decided that it is now time to buy!" The September jobs report also confirms what the rest of the world seems to know. The U.S. economy is much stronger than the rest of the world. And Nantucket has an economy of its own. As an island Nantucket is finite. This is further limited by the fact that over 50% of the island is held by various conservation groups as open land, never to be built upon. Real estate appreciation is driven by, among other factors, lack of supply and rising demand, demonstrated very clearly by current market conditions. We believe strongly in Nantucket real estate, not only as an investment, but as an investment that can be enjoyed for many years.

Market is Strong: We continue to be amazed at the rapid pace of the recovery for the real estate market on Nantucket. With the 3rd Q numbers in, the total sales dollars are \$659,937,000 – compared to a year-end total of \$748,866,000 in 2013. The 4th Q is typically the strongest for Nantucket real estate averaging over 33% of sales dollars for the year. Based upon historical performance we will exceed, by a significant margin, last year's total sales. The number of sales to date in 2014 is 361 compared to 469 for all of 2013. The market is on track to exceed \$1 billion which has occurred in only 2 other years – 2004 and 2005, just prior to the recession. On the Move: The average price of all property sales on Nantucket is now \$1,828,000 (including all properties - residential, vacant land and commercial). In 1997 the average price of a Nantucket property was \$475,000 and in 2013 it was \$1,597,000.

Home Prices on the Rise: The average price of a Nantucket home is now \$1,913,000, compared to \$1,726,000 in 2013, an increase of 11%. Perhaps more telling, the median price of a home on Nantucket has risen to \$1,204,000 from \$999,000 at the end of 2013, an increase of 21%. Expect these numbers to be even higher by the end of 2014.

Land Prices Climbing: The average price of a lot on Nantucket is now \$1,372,000, compared to \$1,258,000 at the end of 2013, an increase of 8%. The median land price is now \$832,000, up from \$688,000 at the end of 2013, up 17%. Many buyers today, unable to find a house that meets their needs, are willing to take the time to go through designing, permitting and building – very good news for the construction industry on-island.

Properties Selling More Quickly: It now takes only an average of 6.8 months for a Nantucket property to sell, the shortest time in over two decades. In 2008 the average time on the market was 11 months. We have recently had numerous situations with multiple offers on a property, a situation that was scarce throughout the recession.

Properties Selling Closer to List Price: Nantucket properties now sell, on average, for 95% of list price at the time of sale, the highest percentage since well before 2000. Currently properties are selling, on average, for 131% of assessed value. The number of properties listed for sale is down 50% from 3 years ago.

Some Trends: One noticeable recent trend is the sale of houses that are less than 10 years old wherein the new owners have elected to remove the existing house and build anew. What makes this different is the relative age of the houses being removed. The good news is that any house being removed must be offered up for re-use within the community before permission for demolition will be granted. Another trend is that more and more buyers want a swimming pool and/or private tennis court.