

Atlantic East Market News

Q2 2019, June 30, 2019

Summer on Nantucket is in full swing and we are happy to be on island with access to the water and a daily ocean breeze. There are lots of activities for everyone, ranging from sailing, classes in the decorative arts at the Nantucket Historical Association to strawberry picking at one of the farms. All of the restaurants are open and, with a little planning, it is possible to have some great dining options. There are lots of new shops and old favorites to explore as well.

It is always interesting to assess the Nantucket real estate market in the context of the bigger picture. There is a lot of speculation about a potential economic shift in the near future. It is likely that the Federal Reserve will be cutting interest rates at some point this year, for the first time since the end of 2008, as economic risks mount and inflation remains stuck below target. Stocks continue to inch toward record levels with the S&P 500 up 6.3% in June alone. A rate cut would help to counter economic headwinds, some of which is related to the trade war. After the longest economic expansion period in history, it feels as if we may be poised for a change.

The real estate market on Nantucket typically follows the financial markets. We are seeing a rising amount of inventory, what we will call "optimistic pricing" on the part of many sellers and buyers for whom a Nantucket purchase is entirely discretionary. These factors, combined with general uncertainty about the future, are contributing to the apparent slowdown in the market on island.

At the end of Q1, the number of sales on Nantucket were down 35% and the dollars were down 49%. By the end of Q2, the gap had closed somewhat with the number of sales (and the dollars) being down 20% from one year ago at the same time. This is still a shift in recent patterns.

The total number of sales to date in 2019 is 194, compared to 243 in 2018. The total dollars are \$392 million, compared to \$492 million in 2018. The average price of a sale on Nantucket was \$2,214,000 in 2018; this year it has declined 9% to \$2,024,000. The average price of a residential property is now \$2.3 million, down from \$2.6 million at the end of 2018, a decline of 11%.

The average time a property is on the market has dropped to 8 months, a positive sign. The average selling price, as a percentage of list price at the time of the sale, is 88%. And the average selling price, as a percentage of assessed value (established by the Town) is 120%, down only 3% from 2018.

The picture for commercial real estate is quite positive - the total number of commercial sales (land and improved property) is 14, the same number as for all of 2018. The dollars represented by these commercial sales are up over 19% compared to all of last year. It is evident, with the number of new businesses on Nantucket, that people feel that it is a good place to do business, even with the seasonal nature of our market.

A quick snapshot of the current inventory: at the end of Q2 there were 470 properties listed for sale (including residential, vacant land, commercial, condos, co-ops and designated affordable properties). The average list price is \$4,075,000 and the median list price is \$2,777,500. At this time there is only one free market house listed under \$700K. In the dead middle of all the listings is a Sconset cottage for \$2,750,000. There are currently 27 properties listed over \$10 million, most of which are located on the water, are updated with the latest amenities and have privacy.

In spite of all of this uncertain news, by extrapolating market activity for the past 10 years, we are actually on track to exceed \$1 billion in sales again in 2019. The first two quarters of the year average 39.8% of annual sales and 36.7% of the sales dollars. The last two quarters average over 60% for volume and 63.3% for dollars.

Of course, a lot could happen in the next six months.