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Trends in real estate on Nantucket so far this year

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The first six months of 2012 on Nantucket have been phenomenal on many fronts. The weather has been spectacular, the number of island visitors has increased (Steamship Authority reports traffic is up 7% year-over-year), and the real estate market has demonstrated poise across nearly every sector of the market. June real estate activity provided a strong finish to what has been a stellar first half, indicating that the Nantucket real estate market has finally escaped the shadow of the downturn.

June transactions included 31 property transfers totaling nearly \$50 million in sales, including the highest single-family home transaction of the year for \$7.85 million.

This activity brings the six month period ending June 30, 2012, to 175 property transfers totaling \$276 million in sales, an increase of 19% and 32% respectively from the same time period in 2011. The first six months of 2012 represent the best first half transaction performance since 2007 when the number of sales was just two transfers shy of this year's activity. Though the number of transactions during these two time periods was nearly identical, first half 2012 dollar volume is down approximately 17% from 2007 activity, illustrating that though demand for Nantucket property has recovered, values remain well off their highs.

The month of June played host to several noteworthy transactions which are indicative of broader market trends the are being followed:

- 1) High-end (\$5m) properties are once again beginning to trade, albeit at steep discounts to original pricing
- 2) Vacant land remains a hot commodity, especially in the Cliff area, or where there may be subdivision potential, and
- 3) Coretown commercial properties are awakening from a three-year slumber. Marking the highest sale of the month and the highest single family home sale of the year was a six-acre Polpis compound for \$7.85 million. This property, consisting of over 12,000 s/f of living space, was marketed for 17 months and had an original list price of \$11.75 million. This is the fourth single-family home transaction in the high-end which, like the others, also happened to sell for more than a 20% discount to the original list price. There is reason to believe there will be similar transactions in the months to come. In the vacant land arena, a privately marketed property consisting of six sub dividable acres (6 potential lots through an Approval Not Required subdivision) on the Cliff traded for \$7.4 million and marked the fourth highest property sale of the year. Three of five land transactions in June were located in the Cliff neighborhood with several others slated to close this summer. On the commercial front, June witnessed the highest commercial transfer of the year in the \$3.42 million transfer of Captain Tobey's restaurant on Straight Wharf. This mixed use property, consisting of two floors of commercial space and a third floor apartment, was marketed for two years with an original list price of \$4.995 million. This is the second commercial transaction in

the core district; a third town transaction closed in July and we anticipate there might be at least one or two more transactions before year-end.

With the aforementioned market themes in mind, we provide below a brief snapshot of how various property types performed in the first six months of 2012 as compared to the same period in 2011.

* Single Family Properties: (ex Condos): After reaching a drastically reduced volume in 2009, the number of single-family home sales rebounded dramatically in 2010, even stronger in 2011, and is up yet again in 2012. In fact, the 129 single-family home transfers through June 30, surpassed the 120 home sales witnessed in 2007. Interestingly, while the median single-family home value is off 6% from the 2011 value, the average home value actually rose 13%. This reflects the fact that we are seeing more high-end homes sales in 2012 than in 2011, which serves to pull up (or skew) the average. However, a high volume of lower-end transactions remain, keeping the median just above \$1 million. In good news for property values, the inventory of single-family homes declined 10% from this time last year. The average length of time on market has deteriorated from 2011 but this reflects that older inventory (which may have been on the market for more than two years) is beginning to clear.

* Vacant Land: Aside from the \$16 million transfer of Skinner's Golf Course and the abutting 119 acres of vacant land to conservation entities (excluded for purposes of this analysis), the 2012 vacant land market has been characterized by a still strong transaction pace but consisting of smaller parcels than those that traded in 2011. In 2011 we saw the \$12.5 million transfer of 9 waterfront acres. In contrast, the largest acreage land sale through June 30 was for 1.5 acres in 'Sconset for \$1.1 million. (The \$7.4 million Cliff transaction mentioned in the June summary is technically considered a single-family transaction given the existence of an older single-family home on the property and the fact that the land is not yet subdivided.) At present, indicators suggest that vacant land is positioned to post a strong second half.

* Commercial Properties: At this time last year we reported that the commercial sector was the lone segment of the market that had not yet demonstrated improvement from the downturn. Clearly, that is no longer the case. With six commercial transactions thus far in 2012, this year's activity has surpassed the 2011 pace and is the most activity we've seen in this sector since 2008 when there were 14 transactions in the full year period. Given the still small sample size, and the significant differences among the commercial properties that are trading, it's difficult to broadly compare market metrics. Suffice it to say, however, commercial activity, especially in the core town district, has returned and reflects a long-term confidence in the retail/commercial prospects of downtown Nantucket.

As we head into the second half of the year—which is historically stronger than the first—it will be interesting to see if the trends and energy the real estate market has exhibited thus far will continue. At present, with a strong July under our belts and a robust pipeline underway, we believe the second half will be a hearty one.

Jennifer Shalley is director of research at Windwalker Real Estate, Nantucket, Mass.