

Kiawah Island Property Report

A K I A W A H I S L A N D R E A L E S T A T E P U B L I C A T I O N

2016 Third Quarter | kiawahisland.com | 800.277.7008

Third Quarter 2016 Island-Wide Sales

With the exception of the villa and cottage markets, Kiawah saw a slight slowdown in island-wide property sales during the third quarter of 2016. The overall number of transactions, which had been on the exact pace as the very strong 2015 sales year through the first half of the year, dropped by 15 closings in the third quarter (75 in 3Q2016 versus 90 in 3Q2015). Consequently, the overall number of transactions YTD is 15 units (or 7%) behind the pace of 2015 which is worth noting was the community's best sales year since 2007.

Looking at the results through the first three quarters of 2014, 2015, and 2016, several trends emerged:

- The increase in the cottage and villa market sales activity has been very strong (and is more pronounced this year), growing from 62 closings in the first three quarters of 2014 to 64 in that same period of 2015, to 81 through three quarters of this year. Much of that increase was over the past three months: Cottage and villa transactions were 35% higher in the third quarter of 2016 vs. 2015. The median price of the Cottages and Villas sold so far this year is also modestly higher than that of 2015 and 2014.
- The number of homesites closed experienced the opposite trend, from over 60 in the first three quarters of 2014 to 49 in 2015 to 44 in the first three quarters of this year. Median homesite pricing is also down about 6% vs. last year. We believe that is tied to strong homebuilding activity, which has both driven up costs and pulled more good homesites off the market.
- Home closings in the first three quarters of 2015 jumped almost 50% from 2014 (72 in 2014 to 106 in 2015), while 2016's sales are closer to those in 2014 (a total of 79 YTD).

Most categories and price ranges are very comparable to results from last year, with the exception of a decline in sales of properties \$3.5 million and above. In fact, nearly half of the decrease in overall dollar volume year-to-date can be attributed to the closings of these high-end properties: there were 12 such closings (including a \$22 million home) in the first three quarters of 2015 with a total dollar volume of \$79 million, but just 8 with a total dollar volume of \$59 million so far in 2016.

KIAWAH ISLAND REAL ESTATE SNAP SHOT

Compared to
year to date 2015.

▼ 5%	HOME PRICES (\$) >> MEDIAN HOME SALES PRICE
▼ 25%	HOME SALES (#) >> NUMBER OF SINGLE FAMILY HOME SALES
▼ 4%	LAND SALES (#) >> NUMBER OF LOT SALES
▲ 27%	COTTAGE AND VILLA SALES (#) >> NUMBER OF COMBINED SALES
▲ 1%	TOTAL INVENTORY >> FOR ALL PROPERTY TYPES

SALES IN AN ELECTION YEAR: PERCEPTION AND REALITY

There are several factors that impact sales in second home communities like Kiawah, where the purchase of property is discretionary and the buyer's motivations are very different from those of the traditional primary home buyer. The stock market in the crucial first few months of the year was weak, putting a damper on "shopping" behavior as was evidenced in the slightly lower traffic numbers in Kiawah Island Real Estate (KIRE) sales offices—although those numbers have since rebounded to the point where visitor traffic is ahead of the YTD 2015 pace.

Another often cited reason for a slowdown in real estate sales (and in discretionary and/or luxury purchases overall) is the impact of a major political election. A survey this summer cited in *Forbes* found that 27% of homebuyers believed that the 2016 presidential election would hurt real estate, and a study cited on realtor.com in July found that housing prices in presidential election years rise 1.5% less than in other years. But a study published this summer by Wells Fargo Securities analyzed the argument that "uncertainty during presidential election years results in slower economic activity," and

found that such a notion "does not hold water" based on historical data:

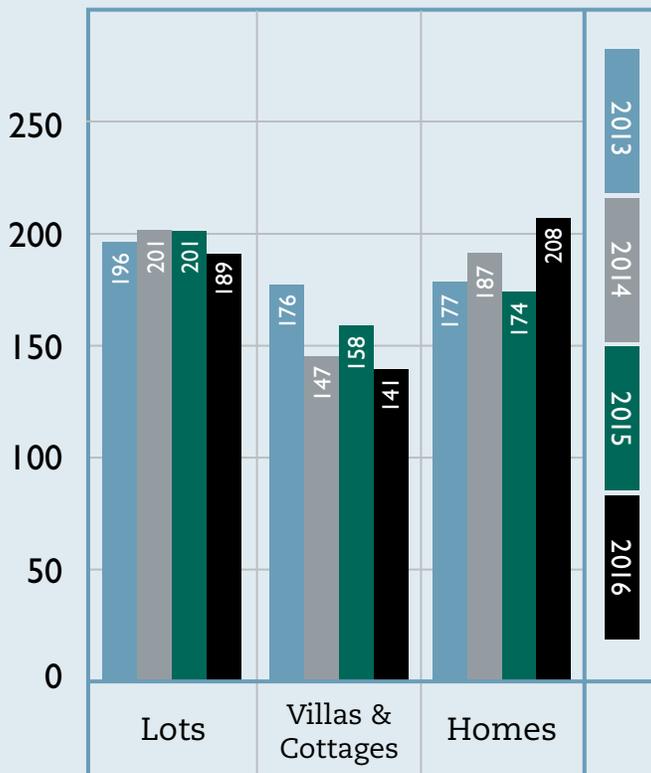
"One commonly cited concern is that the uncertainty associated with a presidential election can be an obstacle to growth. Based on our analysis, we find that real GDP growth, real consumer spending growth, real business fixed investment growth, real disposable income growth and industrial production growth are actually stronger during presidential election years compared to non-election years."

So, perception or reality? For a luxury real estate purchase, it can certainly be both: real estate sales executives tell us that uncertainty inhibits purchase commitment; 2016 has had enough political events to give anyone pause. The good news, regardless of your political preferences: November 8 has come and gone, so there is a path forward. And *Barron's PENTA* magazine just noted that the number of households with more than \$5 million in investable assets just topped one million. We therefore anticipate a strong fourth quarter and 2017.

KIAWAH ISLAND SALES: Through September 30th vs. Previous Year

		2015	2016	% of change
ALL TRANSACTIONS	Properties Sold (closed)	219	207	-5%
	Dollar Volume	\$279,027,062	\$233,401,576	-16%
HOMES	Properties Sold (closed)	106	79	-25%
	Dollar Volume	\$206,407,191	\$157,944,666	-23%
	Median Sales Price	\$1,322,500	\$1,250,000	-5%
VILLAS AND COTTAGES	Properties Sold (closed)	64	81	+27%
	Dollar Volume	\$31,494,654	\$40,819,010	+30%
	Median Sales Price	\$440,000	\$459,000	+4%
LOTS	Properties Sold (closed)	49	47	-4%
	Dollar Volume	\$41,125,217	\$34,637,900	-16%
	Median Sales Price	\$495,000	\$465,000	-6%

KIAWAH ISLAND FOR-SALE INVENTORY BY YEAR COMPARISON AS OF SEPTEMBER 2016



PRESIDENT'S NOTES

As noted on page 1, overall closed sales data was mixed. But there are some interesting findings when we look a bit deeper. From a “sales vs. inventory” standpoint, the strong sales of cottages and villas so far in 2016 had the expected result of decreasing that market segment’s for-sale inventory by 11% from last year’s level (see the chart on this page). And even with softer sales vs. YTD 2015, the inventory of for-sale homesites is lower than it was a year ago.

KIRE’s marketing efforts, including a cottage and villa catalog, an ad campaign in key markets, and a display at a vacation real estate expo in Atlanta helped to drive this sales success; in fact, KIRE’s cottage and villa closed sales are up an impressive 33% year-to-date (sales of cottages and villas listed by other real estate firms on the Island are up only 15%). Across all property types, the closed sales of Kiawah Island properties listed by other firms is actually down YTD by 31.6% (57 last year, 39 this year), while KIRE has been able to slightly increase overall closed sales (delivering 160 buyers to Kiawah sellers in the first nine months of 2016 vs. 157 last year).

As has historically been the case, Kiawah Partners’ “company” property closings represents less than 10% of KIRE’s transactions so far this year. But an interesting point here, too: of the 15 “company” closings in the first 9 months of the year, 60% were purchased by current Kiawah property owners which is about double the historic share of Kiawah purchases by Kiawah owners.

~ Chris Drury, President
Kiawah Island Real Estate

NOTABLE SALE ON KIAWAH ISLAND

A KIRE agent knew of an existing Kiawah owner who was looking for a home like this, and the sale transpired in a mere 45 days.



235 Glen Abbey
SOLD IN 45 DAYS
PRICE: \$1,350,000
(96% of the list price)
5 bedrooms
4 1/2 bathrooms

This property sold through
Kiawah Island Real Estate.

