First Quarter Island-Wide Sales

First quarter real estate sales transactions (closings) have been in a very consistent range over the past five years – from a low of 42 to a high of 47 – and the first quarter of 2016’s total closed transactions of 44 is in the middle of that range. And all but one of those 44 closings in this first quarter were resale properties.

As has been the case throughout Kiawah’s history, prospective buyer traffic has followed the trends in the broader economy, particularly the stock market. Lower island visitor traffic and contract activity in January and February – typically slower months for such activity anyway – were influenced by the financial market volatility in the first six weeks of 2016, which saw a 10% drop in the S&P 500. The stock market and the Kiawah Island real estate market both roared back in March: the S&P returning to and exceeding January 1 levels, and KIRE contract activity in the last five weeks of the first quarter coming in nearly 50% higher than the total of the first 12 weeks.

Kiawah was not unique in experiencing slower real estate sales results in first quarter of 2016 – although our Island’s recovery was stronger than some. Real estate sales results in the Hamptons, a region with luxury vacation property and a buyer profile similar to Kiawah Island’s, was the topic of a recent Bloomberg story:

"Home sales in New York’s Hamptons fell to the lowest level in three years as would-be buyers of beachside mansions stayed on the sidelines during a turbulent first quarter on Wall Street. Purchases in the Long Island resort towns, a second-home market popular with financiers and celebrities, totaled 437 in the three months through March, down 19% from a year earlier.

"Last year’s sales frenzy in the area receded to a more measured pace as the financial industry began 2016 on a dour note. Wall Street bonuses – the lifeblood of Hamptons real estate purchases – shrank 9% in 2015 to an average of $146,200, New York State Comptroller Thomas DiNapoli said last month. In January, the Standard & Poor’s 500 Index registered its weakest start to a year since 2009 amid worries of declining oil prices and an economic slowdown in China."
Sales activity for 2016 began a bit sluggish due to the stock market volatility, however once the market nervousness subsided, we experienced a surge in sales. March was the best single sales month for KIRE in a year, with 28 sales for $47 million in new contracts executed during March. The first quarter’s activity in the villa market was also impressive as it improved dramatically when compared to last year. We have seen new listings that are well priced and very attractive sell very quickly. Of the 12 villas sold by KIRE in the first quarter, 1/3 had been on the market less than a month, in fact some sold in less than a week (see notable sale).

In addition, KIRE has seen an increase in multiple offer situations and a high ratio of sales price to list price achieved. These trends give us reason to expect a strong summer sales season for Kiawah!

~ Chris Drury, President
Kiawah Island Real Estate

According to a November, 2015 Vacation Home Trends Update from noted real estate research and consulting firm RCLCO, “the vacation/second home market is showing signs of life that had largely been missing until recently, which is good news for the sector.”

The National Association of Realtors (NAR) made note of the growing strength of the vacation home market in 2014 (the Kiawah Island Property Report from the first quarter of 2015 summarized some of those findings and it is available at KiawahIsland.com), and the NAR’s chief economist, Lawrence Yun, has noted that vacation sales in 2015 came in at the second highest amount since 2006. “Baby boomers at or near retirement continue to propel the demand for second homes,” he said. “The expanding pool of buyers amidst a dwindling number of bargain-priced properties led to tighter supply” in 2015.

Many of the attendees who visited Kiawah Island Real Estate’s display at January's Ideal Living/Ideal Destinations Expo in Atlanta – one of the top 3 feeder markets for Kiawah villa and cottage buyers – had vacationed on Kiawah, and were very interested in the special Catalog of Villas and Cottages that KIRE produced at the beginning of the year. Those marketing efforts, and an increase in the inventory of villas available for sale, helped to drive strong sales results.

Closings of vacation-oriented properties on Kiawah Island – most poignantly villas – were strong in the first quarter of 2016. Villa sales in the first three months of 2016 were nearly double the total from the first quarter of 2015 (17 closed transactions vs. 9).

ACCOLADES, ANNIVERSARIES, AND REAL ESTATE SALES

In March, the editors of Barron’s PENTA magazine named Kiawah Island to the #5 spot on their annual list of “Top Resort Communities” – a list that Kiawah has been on since the magazine first began such a ranking. Kiawah Island is no stranger to “Best” lists, and – with 2016 being the 40th anniversary of the first real estate sales in the Kiawah Island community (Sparrow Pond debuted in Spring, 1976) – we wanted to look back at the real estate sales impact of two key Kiawah Island honors that are also “celebrating” anniversaries this year.

With golf’s first major in the record books, the 2016 golf season is upon us – and will culminate in September’s Ryder Cup matches. This year is the 25th anniversary of the event that brought Kiawah Island to the international stage, and brought the Ryder Cup back to prominence in the golf world. Golf fans the world over know about “The War by the Shore” – and learned about Kiawah Island from that seminal event.

Five years later in 1996, Kiawah Island was one of the first destination communities to win the Award for Excellence from the Urban Land Institute (ULI), the development industry’s leading organization. ULI began the Awards for Excellence program in 1979 with the objective of recognizing truly superior development efforts. The criteria for the awards include factors that go beyond good design, including leadership, contribution to the community, innovations, public/private partnership, environmental protection and enhancement, response to societal needs, and financial success. Winning projects represent the highest standards of achievement in the development industry.

Looking back to the periods before and after these Kiawah honors of 20 and 25 years ago gives an indication of their impact. The four years preceding the Ryder Cup (1988-1991) had an average of about 250 sales transactions a year, and an average residential structure (home, villa, cottage) sold for a price of about $200,000. In the four years after the ULI honor (1996-1999), the average number of annual transactions had doubled, and by 1999 the average structure sale had more than tripled (to over $650,000). While the economy of the times definitely impacted those sales numbers – as is the case in the first quarter of 2016 – the 25th anniversary of the “War by the Shore” Ryder Cup and the 20th anniversary of Kiawah’s earning the development industry’s highest honor are certainly to be celebrated.