

South Whidbey weathers housing market storm

Market, demographics insulate communities from current downturn

By Carolyn Tamler

STORIES ABOUT THE housing market crashes throughout the United States have been anything but in short supply in recent months. Some communities in states like Florida, Michigan and Nevada are seeing dramatic foreclosure rates up to 50 percent.

It's a much different story on south Whidbey Island. To be certain, there are some foreclosures, but not an unusually high number, and prices have dropped only a little. Representatives from the two largest real estate companies and the two largest mortgage brokers on South Whidbey recently weighed in on why the area has such a different real estate market. Coldwell Banker/Tara Properties and Windermere South Whidbey account for more than 70 percent of the real estate transactions on the island's southern half. Most of their customers are referred to either

Sound Mortgage Corp. or First Island Financial Corp. to negotiate their mortgage loans.

"South Whidbey," in this case, extends from Coupeville south to the ferry terminal at Clinton. This is not an official definition; but this area is relatively homogeneous in that it is primarily rural, rural residential, waterfront and small towns, say local Realtors. Just a few miles up Highway 20, the community of Oak Harbor is more like a suburban Puget Sound community; the Naval Air Station and many big box retailers provide

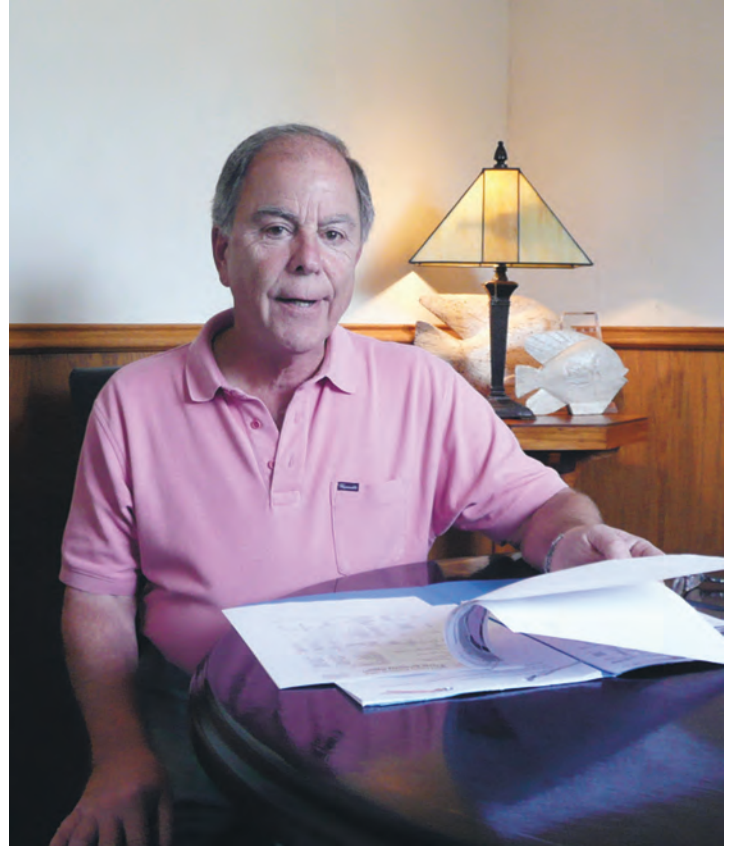
employment; which impacts housing costs and supplies.

Each of these long-time professionals agrees that unique characteristics define South Whidbey. Most people who live here come by choice, rather than for a job, often changing careers or establishing small businesses in order to support themselves on the island. While those new to the island are drawn to its beautiful scenery, people who settle on South Whidbey tend to find themselves becoming active participants in the community.

DIFFERING MARKET FACTORS

Todd Bitts joined Coldwell Banker/Tara Properties in 1994. He is an associate broker and one of office's top salespeople. He points out that market factors driving the sharp decline in other parts of the country aren't at work here.

"Most of the headlines we see and the television and radio programs we listen to tell us the national story," he said. "Markets like Southern California, Nevada, Arizona and Florida are down. Aggressive developers have over-built in many of those areas. Sub-prime



Coldwell Banker/Tara Properties' Todd Bitts reminds people that the dire market conditions in much of the country aren't a reality here. Washington state ranks 49th in the nation for foreclosures.

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lending helped to get under-qualified buyers into their new homes that they are now in danger of losing. But, for the most part that didn't happen here.

"I remember some time in the past year when housing prices were actually up 8 percent in Seattle and down 7 percent in San Diego. Do the math – that's a 15 point difference!"

Bitts also points out that the entire Puget Sound area continues to be strong because employment remains high. The region has 70,000 more jobs now than a year ago.

Aside from workers commuting to the Boeing Everett plant, Whidbey Island has always been its own micro-economy. The area includes many non-working people, singles and many artists, craftsmen, consultants and others who can work out of their homes. Some do commute to jobs across the water, but most residents find some way to make a living without having to use a ferry every day. Since people aren't coming here for the jobs, they tend to not be affected by dramatic changes in job availabilities.

Many people who come here pay cash for houses, or have retirement money and can afford large down payments. Sales are especially strong for waterfront properties, land, single-family homes and condominiums.

"The biggest difference in the South Whidbey real estate market is due to the different demographics and the reasons people choose to come here to live," says Barbara Mearing, the managing broker for Windermere on South Whidbey.

She points out that the population is somewhat older here and there are few significant employers. She adds, "People move to South Whidbey because they want to live here, not because they are coming for a job."

Windermere has 37 agents on South Whidbey, and they are representative of many South Whidbey residents, coming from far away places and diverse backgrounds. Most Windermere agents have retired from successful careers and businesses, but after settling in on Whidbey, found retirement just a little too slow.

Mearing was an elementary school teacher and a librarian before moving to Whidbey Island with her husband in 1975. They settled on five acres, built their own house ("I hammered every nail on the roof"), and raised chickens and vegetables. Mearing became a licensed real estate broker in 1984, first managing Dalton Realty in Clinton, then moving to Windermere Real Estate in 1992.

Kevin Engstrom of First Island Financial Corp. notes that one of the

unique aspects of those who live on South Whidbey is that "people who live here are looking for homes that reflect their choice of lifestyle.

"They tend to be people who value quality time with their families. Many people purchase homes on South Whidbey to enjoy all of the benefits of island living, but they look for homes that have extra space, or an adjacent cottage, that can be used for family and friends, who often come for a weekend visit, rather than just a few hours."



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"People move to South Whidbey because they want to live here, not because they are coming for a job," said Barbara Mearing (L), managing broker of Windermere's South Whidbey office.

The majority of people who are planning retirement purchase a second home with the idea that it will become their primary residence when they do retire.

Engstrom says that the current

inventory on South Whidbey is high and that the number of sales is down dramatically from last year. Yet, while prices have gone down some, the decreases in no way match what is happening in the larger Puget Sound mar-

ket. Values for waterfront view homes have stayed unchanged. "Historically, the South Whidbey real estate market is never as hot as Snohomish and King County, but it doesn't have the deep lows either; it's a more even-paced market."

One of the factors that maintains housing values is that many of the sellers on South Whidbey do not have to sell. They price their homes hoping to make the sale at the highest price they can obtain.

Mearing notes, "People can still sell if they price their home realistically."

For house hunters, Bitts adds, "The market has slowed a bit, even here, but that means there is now more to choose from and the interest rates remain the lowest and most competitive in years."

LESSON IN LENDING

For off-island buyers, Bitts recommends getting in touch with a local lender. "This area is different from the mainland. Many buyers come here from off the island. They need to have a broker who understands the local community and the processes for obtaining funds."

Bitts works regularly with Susie Yeilding, the owner and broker of Sound Mortgage Group, a full-service independent mortgage company located in Freeland. Yeilding has experienced many cycles in the real estate market as well as from years in retail and commercial banking, insurance and investments.


Her advice holds true for anyone who wants to obtain a mortgage. "People who could qualify in the past for mortgages can still qualify. The biggest issue today is that the loan programs are more limited."


People should be prepared to provide more documentation and wait longer for loan approvals. The guidelines for loans sometimes present obstacles because the rules keep changing and lenders are inundated. For these reasons, Yeilding says, "Potential buyers need to work with brokers who are experienced and have access to all available loan programs."

Engstrom believes lenders still need

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to educate the public when it comes to finding a satisfactory loan for their home purchase: "Sixty to 70 percent of home buyers understand that mortgage brokers provide a valuable service, but there's that sizable 30 to 40 percent who don't understand what we do."

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Additionally, it still pays to have financing in hand before shopping for a property. Once a borrower has obtained a pre-approval letter, they should stay in close contact with their lender to ensure it is updated as needed. Due to tightened financial markets, credit and underwriting requirements can change very quickly. Yeilding recommends getting an updated approval at least every 30 days.

COMMUNITY DEFINES SOUTH WHIDBEY MARKET

All four of the professionals emphasize that the beauty and amenities of South Whidbey draw people here, but it is the community that encourages newcomers to stay and become part of the South Whidbey world. Bitts observes: "A wealthy person comes here to retire, builds a large house, has a luxury car and fills his home with lots of expensive furnishings and electronics. One year later, he downsizes and sells his big home, gets rid of lots of things he doesn't need, and buys an economy car and becomes heavily involved in social activities that benefit the community."

He adds with a wry smile, "I wish I could encourage these folks to rent for a year, and then purchase a home."

The greatest deterrent to purchasing a home on South Whidbey is the cost of housing. The need for more affordable housing is voiced by everyone. The mortgage market is now a much tougher place, especially for first-time



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homebuyers.

But inventory is high on South Whidbey and prices have come down some. Even though there are higher standards for obtaining mortgages, a good broker can usually make something work for a qualified buyer, the lenders say. And, South Whidbey does offer a range of housing from suburban-style homes and a few condominiums in the higher density communities of Langle, Freeland and Coupeville; to rural parcels with modest housing; to large, private estates with spectacular views.

All that is required is a buyer that wants to become part of a special community. ■

South Whidbey real estate by the numbers

So how do South Whidbey sales stack up against other areas in Island County? Median prices on closed sales were up over last year, according to statistics provided by the Northwest Multiple Listing Service, although the number of closed sales declined compared to the same month as last year.

Specifically, closed sales from May 2007 to May 2008 show single-family homes and condominiums on South Whidbey Island increased from \$360,000 to \$379,000. Also up were sale prices on Camano Island, from \$327,000 to \$342,000. North Whidbey Island numbers nudged up only slightly, from \$249,900 to \$250,000. The only sector of Island County to see a decrease was the central island, at \$304,450 this year falling from \$308,500 in 2007.

During the same time period, Skagit County also experienced an increase in home and condominium prices, up 1.36 percent from \$269,900 to \$273,578. Whatcom and San Juan counties both saw a decrease in the median price: In Whatcom, from \$280,450 to \$255,000, and in San Juan, from \$578,500 to \$569,000. All three counties saw a decrease in the number of closed sales.