

# NANTUCKET REAL ESTATE

## YEAR IN REVIEW 2018



A Comprehensive Analysis  
by Jen Shalley Allen





## 2018 Nantucket Real Estate in Photos & Graphics



### NANTUCKET BUYERS TOP TEN STATES 2008-2018

	% OF TOTAL	# OF TRANSACTIONS
MA	31%	1,147
NY	14%	531
CT	10%	386
FL	7%	268
NJ	6%	206
PA	4%	143
CA	4%	139
MD	2%	91
DC	2%	87
TX	2%	85

### 2018 DOLLAR VOLUME SECOND HIGHEST IN HISTORY



**\$1.189B**



**\$1.111B**



**\$1.065B**



**\$997M**

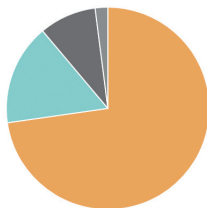
### 2018 SALES TRANSACTIONS BY PROPERTY TYPE

**73% SINGLE FAMILY**  
323 TRANSACTIONS

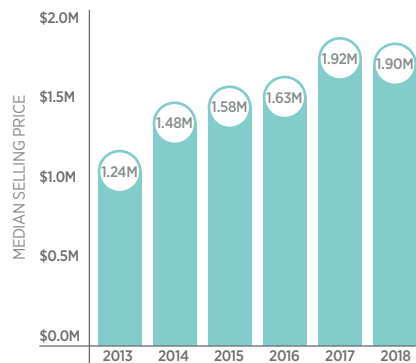
**16% LAND**  
73 TRANSACTIONS

**9% CONDO/CO-OP/  
MULTIFAMILY**  
41 TRANSACTIONS

**2% COMMERCIAL**  
9 TRANSACTIONS



### MEDIAN SALE PRICE SINGLE FAMILY HOMES



### TRANSACTIONS 2018 SUMMARY BY TYPE



**MEDIAN  
RESIDENTIAL SALE  
\$1.90M**



**MEDIAN  
COMMERCIAL SALE  
\$2.04M**



**MEDIAN  
LAND SALE  
\$1.03M**

### SFH INVENTORY YEAR-END BY PRICE POINT

■ 2016 ■ 2017 ■ 2018

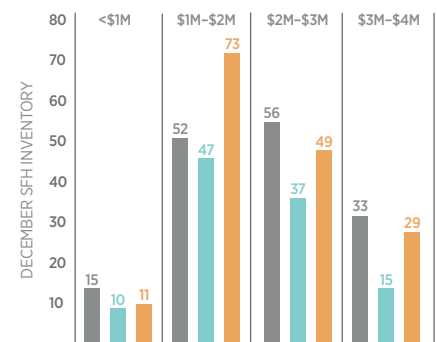


Photo credit for cover images: Matt Kisiday and Jeffrey Allen

# Nantucket Real Estate Year in Review:

Jen Shalley Allen  
Principal Broker



### What we saw in 2018...

#### ◆ THE OVERALL MARKET...

While the period from 2010-2015 could be characterized as “one step forward, two steps back” when it came to total dollar volume each year, the Nantucket real estate market has been on a steady upward trajectory since 2015 with the 2018 market posting the second-best dollar volume in island history. On the other hand, transaction volume declined during this time and was more than 100 transactions lower than the last best market of 2005. In aggregate, sales performance metrics for all property types were nearly identical to 2017, while property inventory rose modestly.

#### ◆ RESIDENTIAL SALES...

Single-family home sales metrics were also virtually identical to the 2017 market, with the median and average home sale metrics leveling off from the larger gains realized between 2016 & 2017. Average property inventory remained steady until a notable rise toward year’s end (see page 6). The high-end and ultra-high-end of the market saw another record year, though fewer of these sales were a result of speculative home sales as compared to 2017.

#### ◆ VACANT LAND SALES...

After years of transaction volume declines, largely due to limited supply, land sales rose once again in 2018. Sales included several notable residential parcels, as well as larger tract commercial plots and subdivision transfers. It was also a very successful year for land sales coupled with construction contracts, a trend that hasn’t been witnessed in quite some time, if ever with 2018 volume.

#### ◆ COMMERCIAL PROPERTY...

A bit of déjà vu from 2017, the most controversial sale of 2018 (from a data perspective) was the \$25.8 million sale of a new storage facility. Once again, Fisher excluded this transaction from its figures (see note on page 10). The remaining sales were down from 2017 levels but low inventory didn’t seem to be the primary driver of reduced volume, as several downtown properties were unsold as of year-end.

### What we expect to see in 2019...

- ◆ After a more typical transactional start to January sales, both for sold properties and new contract activity, we anticipate the 2019 market will be solid but perhaps not quite as robust as 2018. January 2018 was a record setter while early 2019 sales appear to be more in line with previous years’ activity.
- ◆ With a rise in year-end inventory, the first quarter will set the tone for how well this new inventory will be absorbed and set the pricing tone for the spring and summer markets. We advise buyers and sellers to reach out to us to see the full picture of inventory compared to sales by price point.
- ◆ Buyers will remain interested in income-producing properties, but the new short-term rental tax (currently 11.7 percent) may affect purchasing and use decisions. We are still monitoring how all of this will all unfold.
- ◆ While we expect to see continued success in the sale of finished speculative properties, we expect there will be reduced supply for buyers than in previous years. This is due both to less activity from developers but also to the fact that some of the inventory isn’t even hitting the market before buyers purchase the land + construction contract.

## MARKET DATA

- The 2018 Nantucket real estate market tallied an impressive \$1.11B\*, the second highest dollar volume in island history, bested only by the \$1.189B reported in 2005. From a transaction basis, the two years were quite different, with just 448 transactions in 2018, compared to 621 in 2005. Comparatively, there were 19 percent fewer home sales in 2018, 38 percent fewer land transactions and 60 percent fewer commercial property transfers than in 2005, illustrating how property values have increased in the last 13 years. As compared to the five-year average, however, home sales rose modestly, while vacant land and commercial transactions declined.

- From a yearly performance perspective, 2018 was bookended by two, record-setting quarters: \$266M through 121 transactions in the first quarter and a whopping \$425M through 141 transactions in the fourth quarter. October alone saw the biggest monthly performance in Nantucket's history with 60 transactions totaling \$210M, largely due to high-end activity. In fact, on a yearly basis, the high-end of the market saw a record 31 transactions between \$5M-\$10M, another record 11 transactions between \$10M-\$19.99M, and a \$25M property sale, which last occurred in 2014.

## Sales Trends & Performance Metrics

### CUMULATIVE REAL ESTATE SALES & TRANSACTION VOLUME

RECORD-SETTING FIRST & FOURTH QUARTERS PROPEL MARKET TO SECOND BEST IN HISTORY



From a dollar volume perspective, the 2018 real estate market was the second best in Nantucket's history, thanks to a robust high-end market, strengthening property values and continued buyer demand.

*\* Data excludes foreclosure sales, affordable/covenant home sales and the \$25.85 million commercial self-storage transaction (see page 10).*

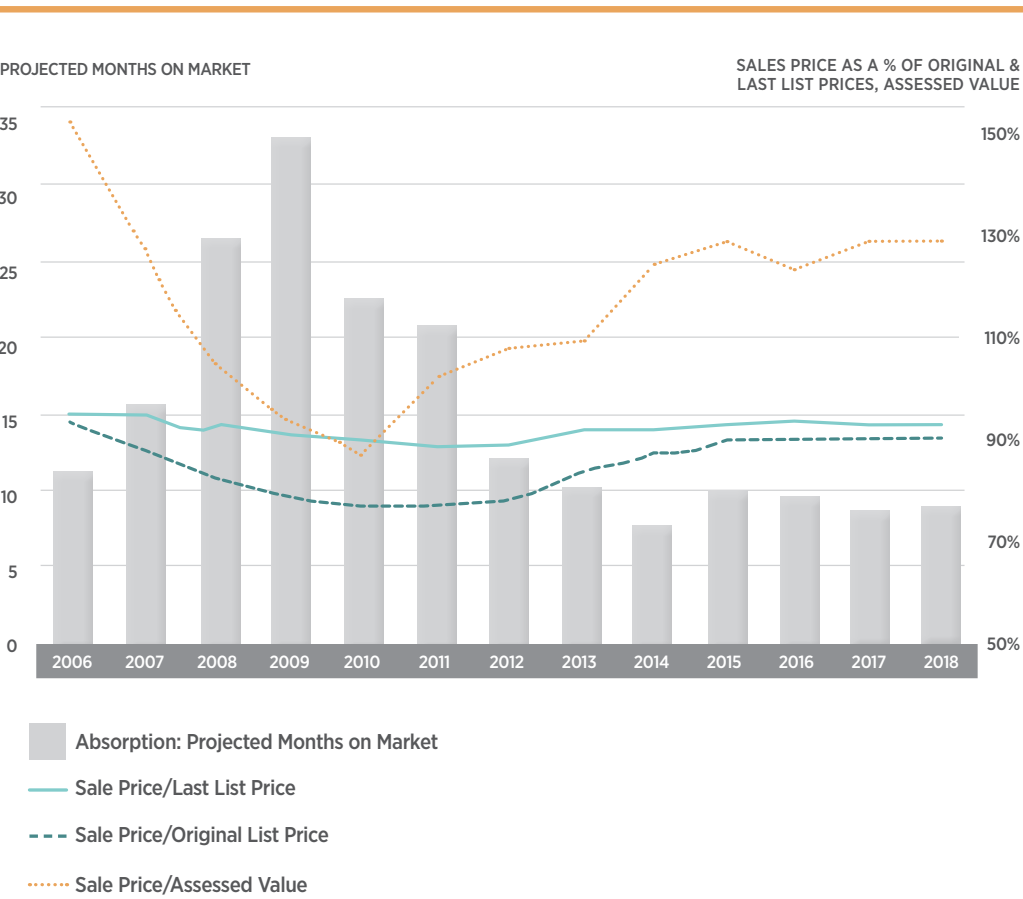
MARKET DATA

Sales Trends & Performance Metrics

- From a sales metrics perspective, the 2018 Nantucket real estate market was nearly identical to 2017. The average sales price as a percentage of the original listing price remained at 90 percent, while the average sales price to the last asking price rose one percentage point to 94 percent. The average sale price to the Town’s assessed property value also held steady at 129 percent. (Fiscal Year assessed values are assigned using sales data that occurred during the calendar year two years prior).
- After declining to a historically low level in 2017, average inventory levels for all property types rose four and a half percent in 2018 (average values are utilized to account for the seasonal nature of property listings). This modest increase resulted in a slightly longer projected absorption rate, or the estimated time it would take to clear all for-sale property with the trailing 12-month transaction pace, which rose to 9.29 months compared to 8.95 months in 2017.

ABSORPTION RATES & SALES PRICE RATIOS

SALES DISCOUNTS HOLD STEADY, PROJECTED SALE TIME LENGTHENED MODESTLY



Average inventory levels for all property types rose modestly in 2018, leaving the projected absorption rate for all Nantucket real estate just above 9 months.

## MARKET DATA

# In-Focus: Single-Family Homes

## SINGLE-FAMILY HOME METRICS

LARGELY SIMILAR TO 2017; AVERAGE SALE VALUE & YEAR-END INVENTORY INCREASED

SINGLE-FAMILY HOMES	2018	2017	% CHANGE	5-YEAR AVG.	% CHANGE
Transaction Volume	325	323	1%	328	-1%
Dollar Volume (\$000's)	\$906,072	\$857,490	6%	\$805,828	12%
Median Sales Price (\$000's)	\$1,900	\$1,924	-1%	\$1,701	12%
Average Months on Market	6.6	6.7	-1%	8.4	-21%
Sale Price / Original List Price	90%	89%	1	89%	1
Sale Price / Most Recent List Price	94%	93%	1	93%	1
Year-End Inventory	234	174	34%	223	5%

\*All sales data is as of December 31 and excludes condominiums, foreclosures, affordable home sales and timeshare sales. Sources: LINK Nantucket, Nantucket Land Bank, MA Registry of Deeds

- In looking at the single-family home sales summary table, it's remarkable how similar the 2018 Nantucket real estate market was to the 2017 market. Transaction volume, the median home sale value, average marketing times and average sales prices to the original price, last asking price and Town-assessed values were all largely very similar.
- The most notable year-to-year changes were the rise in the average home sale value and rise in the year-end inventory level. The five percent increase in the average home sale value is easy to explain thanks to another record sales year for high-end (\$5M+) homes (see page 7), including a large jump in the value of the highest annual home sale (\$25M in 2018 vs. \$16.5M in 2017).
- The difference in year-end inventory is more of a dynamic story. Interestingly, average single-family inventory levels for both years were nearly identical -- 257 single-family homes in 2018 compared to 252 single-family homes in 2017. And the number of properties taken off the market in the fourth quarter of 2018 was more than the same period in 2017 (130 vs. 106). So, what explains the 34 percent difference in the number of homes for sale at year's end? New inventory.
- Between October 1, 2018 and December 31, 2018, there were 60 new single-family properties listed for sale versus just 23 new properties listed during the same period in 2017. Are sellers taking advantage of a record fourth quarter performance? Or are sellers expecting a softer market ahead and looking to cash out? Interestingly, the average price of new listings listed in 4Q18 was \$1.8M vs \$2.5M in 4Q17.

MARKET DATA

In-Focus: Single-Family Homes

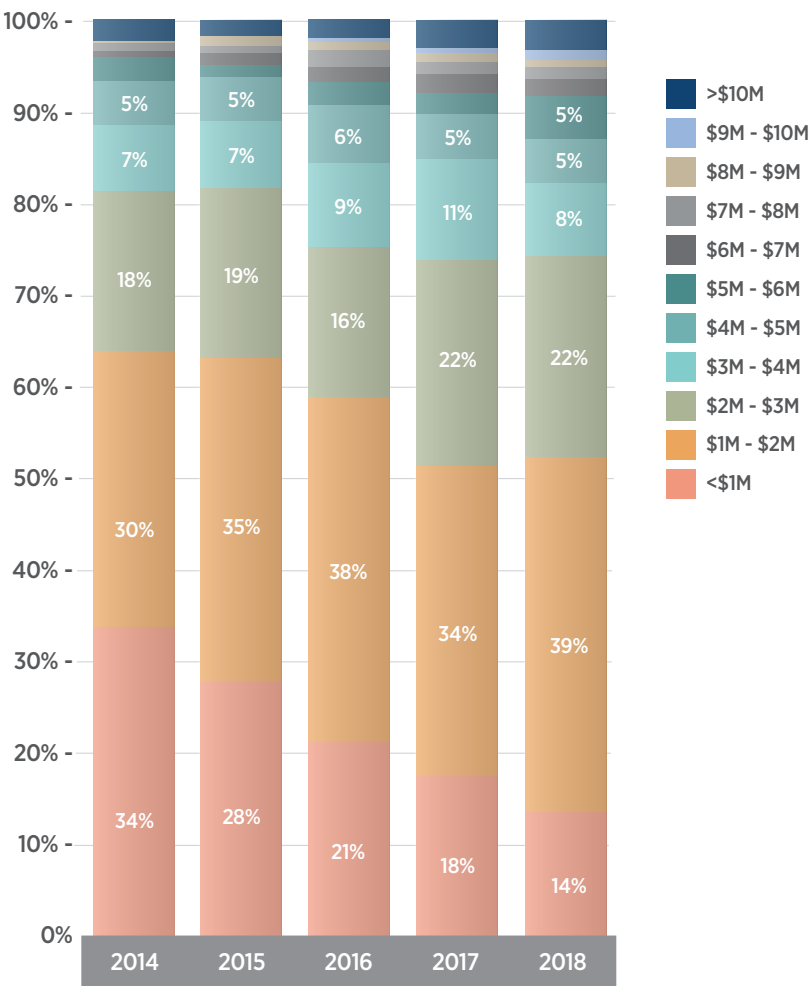
• With 2018 representing the second highest median home sale value year in Nantucket’s history, it’s not surprising to see an upward shift in the number of home sales by million-dollar price point, both from a year-to-year perspective, as well as compared to the five-year average. The price segments to recognize the biggest shifts were the sub-\$1 million price point, which saw the most significant decline (down nine percentage points of total transaction activity from the five-year average and four percentage points from 2017), and the \$1 million to \$2 million price point, which rose five percentage points from 2017.

• Given the relatively limited transaction activity at the upper end of the market compared to transactions below \$5M, shifts in this range were subtler. Home sales above \$5M saw a one to two-percentage point rise across nearly every million-dollar price segment, which is significant when you consider how this dollar volume affects total annual activity. Additionally, there were 11 transactions in the ultra-high-end (\$10M+) of the market, the highest annual number of sales recorded in this segment, surpassing the 2017 record by one transaction.

SINGLE-FAMILY HOME SALES BY PRICE POINT

UPWARD SHIFT IN 2018 HOME SALES

Sales by Price Point (as a percentage of total transactions)





## MARKET DATA

- There were 36 speculative home sales totaling \$149M in 2018, a decline from the 43 transactions totaling \$173M in 2017. These sales represented 11 percent of all single-family home sales. The average marketing time for these properties was nearly four months shorter than one year ago as none of the sold 2018 speculative properties were marketed for more than 18 months, compared to several that were marketed for two years or more and sold in 2017.

- The average price per square foot of finished living space ranged from \$556 per square foot for properties in the Miacomet Pond area to approximately \$2200 per square foot for properties with water views in Brant Point and Town. Overall, sales prices per square foot rose in 2018 as measured by the changes for speculative properties within developments that also had 2017 transactions. The average sale price to the last list price fell slightly to 93 percent from 95 percent in 2017.

- Unlike 2017, the distribution of 2018 speculative home sales was not particularly concentrated in the upper end of the market. In fact, most speculative transactions occurred in the \$2M-\$3M price point, followed by \$3M-\$5M. In 2017 we saw a solid number of transactions occur in the \$6M-\$7M price point, the \$8M-\$9M price point, and even the ultra-high-end (\$10M) of the market.

# In-Focus: Speculative Home Sales

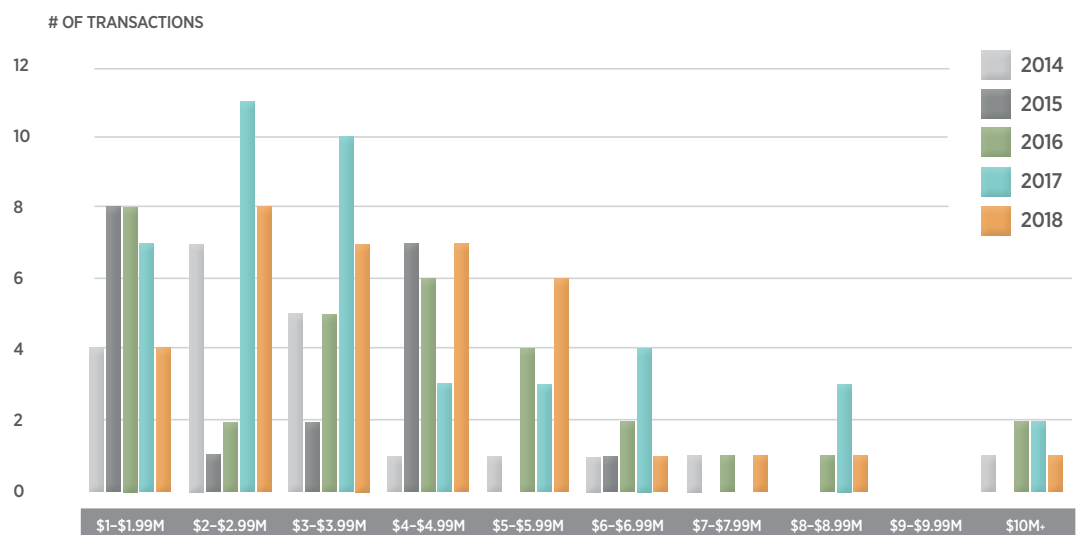
## SPECULATIVE HOMES SALES METRICS

SLIGHT DECLINE IN TRANSACTIONS, PRICE PER SQUARE FOOT & MARKETING TIMES IMPROVE

SPECULATIVE HOME SALES	# OF TRANSACTIONS	SPEC SALES AS A % OF SFH SALES	AVERAGE MARKETING TIME	SALE PRICE TO LAST ASKING PRICE
2018	36	10%	5.8	93%
2017	40	11%	9.7	95%
2016	28	8%	6.8	94%
2015	19	6%	6.7	94%
2014	23	7%	6.2	95%
2013	23	8%	9.8	90%
2012	17	5%	12.6	88%
2011	12	5%	8.6	86%

## 5-YEAR HISTORY OF SPECULATIVE HOME SALES BY PRICE POINT

SHIFT TOWARD \$2M-\$4M SALES IN 2018





## MARKET DATA

## In Focus: Vacant Lot Sales

## VACANT LOT SALES METRICS

NEW SUPPLY MET WITH STRONG BUYER DEMAND

VACANT LAND SALES METRICS	2018	2017	% CHANGE	5-YEAR AVG	% CHANGE
Transaction Volume	73	63	16%	81	-10%
Dollar Volume (\$000s)	\$135,297	\$56,279	140%	\$97,759	38%
Median Sales Price (\$000s)	\$1,032	\$680	52%	\$810	27%
Average Months on Market	6.9	9.1	-24%	9.0	-23%
Sale Price/Original List Price	90%	91%	-1	90%	0
Sale Price/Most Recent List Price	94%	93%	1	93%	1
Year-End Inventory	51	51	0%	60	-15%

- One of Nantucket's most active land transaction years was 2015 where 105 land transfers totaling over \$100 million took place. The supply at that time, much of which was created by several mid-island subdivisions, was met by robust demand, demand that has persisted in recent years. However, with relatively constrained supply, transactions have been lower, measuring just 73 transactions and 63 transactions in 2016 and 2017 respectively.
- Through the 12 months ending December 31, 2018, vacant land sales rose back to 2016 figures with 73 transactions taking place. However, there was a sizable difference in total dollar volume with 2018 transactions measuring \$105M compared to \$80.9M in 2016. This is because many of the 2018 vacant land transactions were sizable residential parcels in A+ locations (7 Hinckley Lane for \$5.5M), large-tract commercial parcels (i.e. 51 Sparks Avenue for \$11M) or larger subdivisions (i.e. the largely undeveloped Cannonbury neighborhood in 'Sconset for \$21.5M).
- In last year's report, we anticipated land sales would increase due to available lots in several new subdivisions, including Hawthorne Park, Grey Lady Lane and Buck Hollow Lane. Of these, Hawthorne Park saw the greatest number of lot sales in 2018 with four transactions while Grey Lady Lane saw three lot sales. We anticipate both will gain even more momentum in 2019.
- Reduced supply of vacant lots in recent years has not tempered buyer demand for new construction on quality lots. As such, we anticipate the new supply coming to market by way of the Cannonbury neighborhood in 'Sconset and Sandpiper Place along Old South Road to be met with enthusiasm. We also expect buyers to continue to snap up quality lots with existing homes that may be demolished or entirely renovated for new construction homes.

## MARKET DATA

# In Focus: Commercial Sales

## COMMERCIAL PROPERTY SALES METRICS

TRANSACTIONS DECLINE BUT DOLLAR VOLUME RISES

COMMERCIAL PROPERTY SALES METRICS	2018	2017	% CHANGE	5-YEAR AVG.	% CHANGE
Transaction Volume	9	13	-44%	16	-78%
Dollar Volume (\$000's)	\$18,396	\$23,294	-27%	\$24,605	-34%
Median Sales Price (\$000's)	\$2,044	\$1,500	27%	\$1,187	42%
Average Months on Market	4.6	6.5	-41%	10.6	-130%
Sale Price / Original List Price	97%	91%	6	87%	10
Sale Price / Most Recent List Price	97%	91%	6	92%	6
Year-End Inventory	19	6	68%	11	42%

- During the previous five years, the Nantucket real estate market saw anywhere from 13-20 commercial transactions per year with an average total dollar volume of \$27 million. In 2018, there were just nine transactions totaling \$18.4 million. With a limited number of sales, and several privately marketed and negotiated transactions, it can be challenging to assess year to year trends in this segment of the market.
- The average marketing time for publicly marketed commercial properties improved in 2018, declining by nearly two months from 2017. Sales discount metrics also improved, rising six percentage points from both the original and last asking prices. However, as of year's end, most of the publicly marketed commercial properties remained unsold. Several of these properties are in the core district including the former Nobby Shop space on Main Street, the former Station 21 restaurant space along S. Water Street, the building currently home to Proprietors Restaurant on India Street and the building which houses several retail establishments at the corner of Easy Street and Broad Street. As rates are expected to rise, sellers may need to reduce listing prices to attract investors seeking healthy yields.
- Lastly, we'd like to take a minute to note what seems to be a regular exclusion with recent storage facility sales. As with previous transactions in recent years, Fisher is not including the \$25.8M sale of a self-storage building near the airport. Just like the 2017 sale of the Nantucket Storage Center for \$37.5 million and its prior sale for \$27 million in 2015, this transaction has been excluded from total figures for the sole reason that the sale price overwhelmingly places value on the business not the property, which last sold for \$2.4 million in 2015 before it was improved. Historic Nantucket real estate figures DO include commercial property sales but do not traditionally include business sales.

## MARKET DATA

## Nantucket Property Resales

Whether you are a buyer, seller, appraiser, lender or agent, the million-dollar question is: how are property values changing on the island? While we can look to broad market metrics like average and median sale values, these aggregate figures are often not directly applicable to specific property types, property locations or even price points. To obtain a more granular understanding of what's happening with property values, we took a comprehensive look at over 250 real estate transactions where property changed hands without significant alterations during the 2011-2018 period. The data includes a wide mix of property "re-sales" including properties that first traded in 2011, and then again during an ensuing year during this period, and properties that first traded in 2016 and then again 2018. These "re-sales" of land, single-family homes and commercial properties provide us with key insights about how property values have changed within the last several years. Here's what we learned:

#### ✦ VACANT LAND

By default, land is the easiest property type to analyze for valuation changes as there are typically few alterations that occur from year to year. Of course, one could argue that factors such as erosion and/or zoning changes play a big role in valuation. Excluding transactions with these extenuating factors, the land re-sales we studied indicate an **aggregate gross annualized return of 10 percent**. Only one 2018 transaction resulted in a negative (two percent) return, while another eked out a .17 percent return over a three-year period. Two outliers were excluded from the aggregate 10 percent figure but are worth mention given a 40 percent and 153 percent annualized return wherein HDC approved plans were part of the sale. The Surfside area saw among the biggest annualized returns (15 to 20 percent) while the Mid-Island area was as strong or even better than areas such as the Cliff, Tom Nevers and Naushop with returns ranging from eight to 15 percent.

#### ✦ SINGLE-FAMILY HOMES

A book could be written about the returns analysis (and probably should), but for brevity purposes we will share the key highlights. The gross annualized return for the resales we studied was **seven percent for single-family homes** which traded and then retraded during the 2011-2018 timeframe. The biggest annualized gain was 49 percent while the most significant loss was 15 percent on an annualized basis. Not surprisingly, homes priced under \$1.5M illustrated the most solid returns over the period while resales of various speculative homes realized modest, and in one case negative, returns. Returns by area didn't seem as varied as one might expect with nearly every area sharing similar results. We identified at least one home sale transaction which traded in 2005, 2006 and again in December 2018 revealing there was a 19 percent annualized return in the first sale and a zero percent annualized return over the following 12-year period.

#### ✦ COMMERCIAL PROPERTY

Commercial property sales are limited to begin with in the Nantucket market, so identifying resales data is even more challenging. Of the four transactions we identified without significant alterations to the property, **the gross annualized return was 12 percent**. All but one of these resales was in Town and there was a notable difference in the return at just five percent on an annual basis.



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At Fisher Real Estate, we know that buying or selling a Nantucket property is a significant decision. We are dedicated to delivering the most accurate market data and the most thoughtful market insights, because we know that while everyone has access to sales information, not everyone has the ability to help you understand how it may impact you. Call on us or join our Insights mailing list.

—Your Fisher Team

## FISHER'S MARKET INSIGHTS: The Benchmark for Nantucket Real Estate Information

ANNUAL REPORT

MONTHLY MARKET REPORTS