

ATLANTIC EAST

NANTUCKET REAL ESTATE



N A N T U C K E T

V I E W F R O M T H E I S L A N D

The holiday dust has settled and we are officially into the off-season on Nantucket. After the relentless winter storms of last winter we feel lucky to have made it this far with relatively mild weather. This is our time of the year to get caught up, refreshed and ready for this coming summer. We continue to be grateful for the people we work with and for the opportunity to live in such a special place.

By the Numbers: Although there were not significant increases in the real estate market in 2015, the year ended with a total of 514 sales representing \$882,666,000, the fifth highest total ever. There was urgency within the market in 2014; this failed to be the case in 2015 which was somewhat flat. In 2014 (and in 2004 and 2005) total sales exceeded \$1 billion, with an increase of over 30% in dollars from 2013 to 2014, not a sustainable rate of growth. However, the average price of a house on Nantucket continues to climb, now at \$2,133,000 compared to \$2,124,000 at the end of 2014 and the highest it has been since 2010. More telling is that the median price of a home is up 9% at \$1,525,000 (compared to \$1,400,000 in 2014). There were 98 total lots sold in 2015, compared with 89 in 2014. The average price, \$956,000, was lower than in 2014 due to an influx of lower priced land listings into the market in 2015. The median land price was \$668,000, a decline of 8% from 2014.

Good Indicators: The sale of commercial property was strong in 2015 with 22 properties selling for nearly \$60 million, an average price of over \$2.6 million. This compares to 20 properties in 2014 for just over \$42 million, an average price of \$2.1 million. The number of residential building permits issued for new single family homes on Nantucket was 141 in 2015, virtually unchanged from 2014. Interest rates remain competitive and it is less arduous than it was a few years ago to obtain financing.

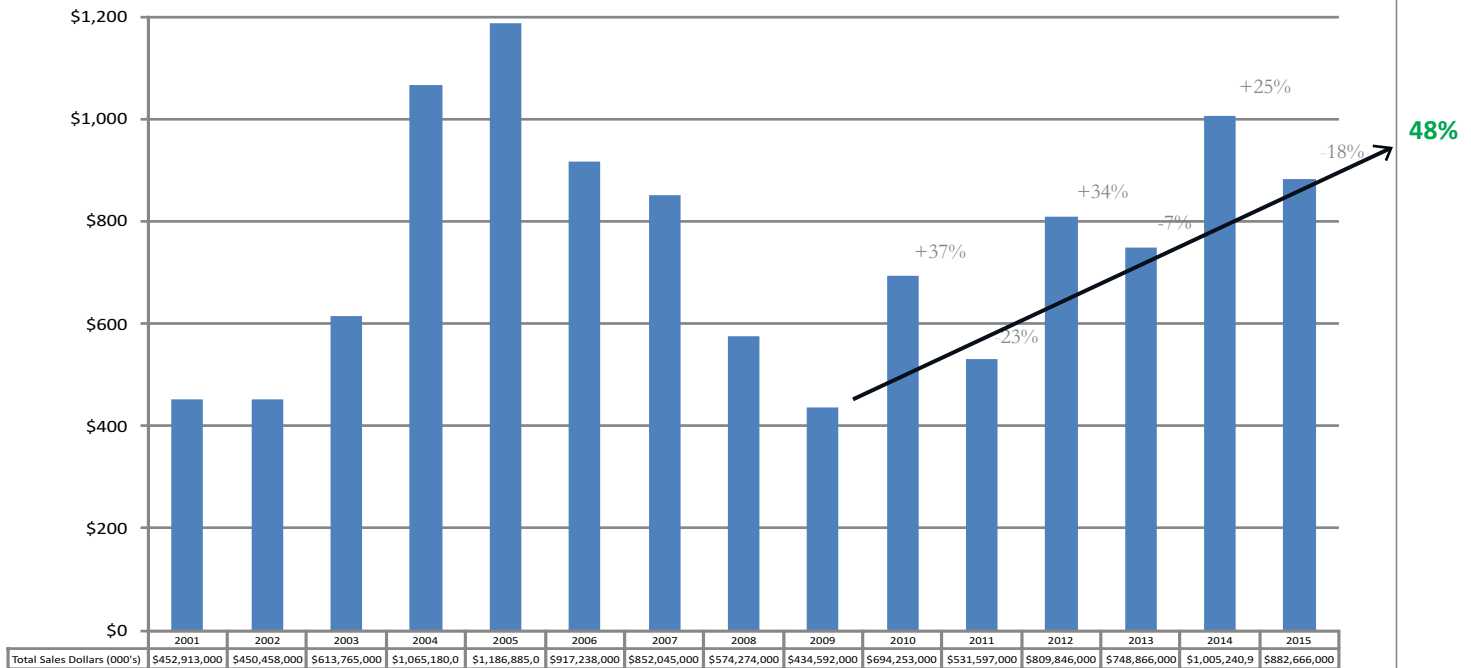
The average time a property is on the market on Nantucket is 8 months, down from 11 months in 2012. Properties are now selling, on average, for 91% of list price at the time of sale and for 141% of assessed value.

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Nantucket: Total Annual Sales Dollars

4th Q 2015



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Sales by Sectors: In 2015 the bottom 10% of the market was comprised of sales between \$150,000 and \$462,500. There were 22 sales over \$5 million, accounting for less than 5% of all property transfers in 2015. Mid-Island and Town were the areas with the largest number of sales (111 and 88), both very densely populated locations. This was followed by Surfside (42), Miacomet (30), Cliff and Siasconset (29 each), Madaket (28) and Tom Nevers (27). The areas with the lowest number of sales were Squam (1) and Madequecham, Nashaquisset, Pocomo, Quidnet and Quaise (each with only 2 sales). The level of activity by area is largely a function of density and what type of inventory may be available at any particular time.

Interesting Patterns: When evaluating total sales dollars by the year a pattern is evident for the last 6 years. From 2009 - 2010 - a rapid increase of 37%, 2010 - 2011, a decline of 23%, 2011-2012 - an increase of 34%, 2012-2013 - a decline of 7%, 2013 - 2014 - another increase of 25% and 2014 - 2015, a decline of 18%. The net result between 2009 (the depth of the recession on Nantucket) and the end of 2015 is a gain of 48% in sales dollars (see above chart), averaging to 8% per year for the 6 year period. Although the reality shows somewhat of a wild ride, this is consistent with the performance of the financial markets. It is also interesting to note that the most recent property revaluation by the Town came in at an 8% increase for residential properties.



Distressed Sales: Thankfully, there were only 4 foreclosure sales on Nantucket in 2015, compared to 35 in 2010. This has been largely attributable to the growth in employment opportunities as the economy has recovered.

What Buyers Want: The pattern continues of buyers wanting houses that are in turn key condition with modern and updated amenities such as pools. Buyers will not only wait until they find the perfect property but will pay a premium for one that meets their needs and that does not require the time, expense and hassle of a major renovation. As always, properties with strong water views or beach access continue to hold their value, as do those in the village of Siasconset or in Town.

Tax Abatement Deadline Coming Up Fast

The Town of Nantucket reviews and adjusts, if necessary, property values every year for the purpose of fairly allocating the property tax burden. Every three years the State Department of Revenue certifies that values are at an acceptable level of market and that they were developed by the use of conventional appraisal standards. Since 2005 the state has mandated "interim year adjustments" effectively making every year a revaluation year. For Fiscal Year 2016, assessments are based on ownership and condition of the property as of January 1, 2015 and market activity in 2014. This means that the assessments typically are a year behind the market conditions. The average residential value increased 8% between FY 2015 and 2016.

Factors that are examined for each property are: sales prices, date of sale, building style, building age, neighborhood/location, and lot size. The data collection phase of the project includes physical inspections of the exterior of properties. Appraisers then view the collected data and apply determining factors of sales analysis to come up with a value for each property. Assessed values for the entire island are available to the public. A revaluation does not necessarily increase property taxes. If the values go down, the rate goes up and if values go up the rate often goes down.

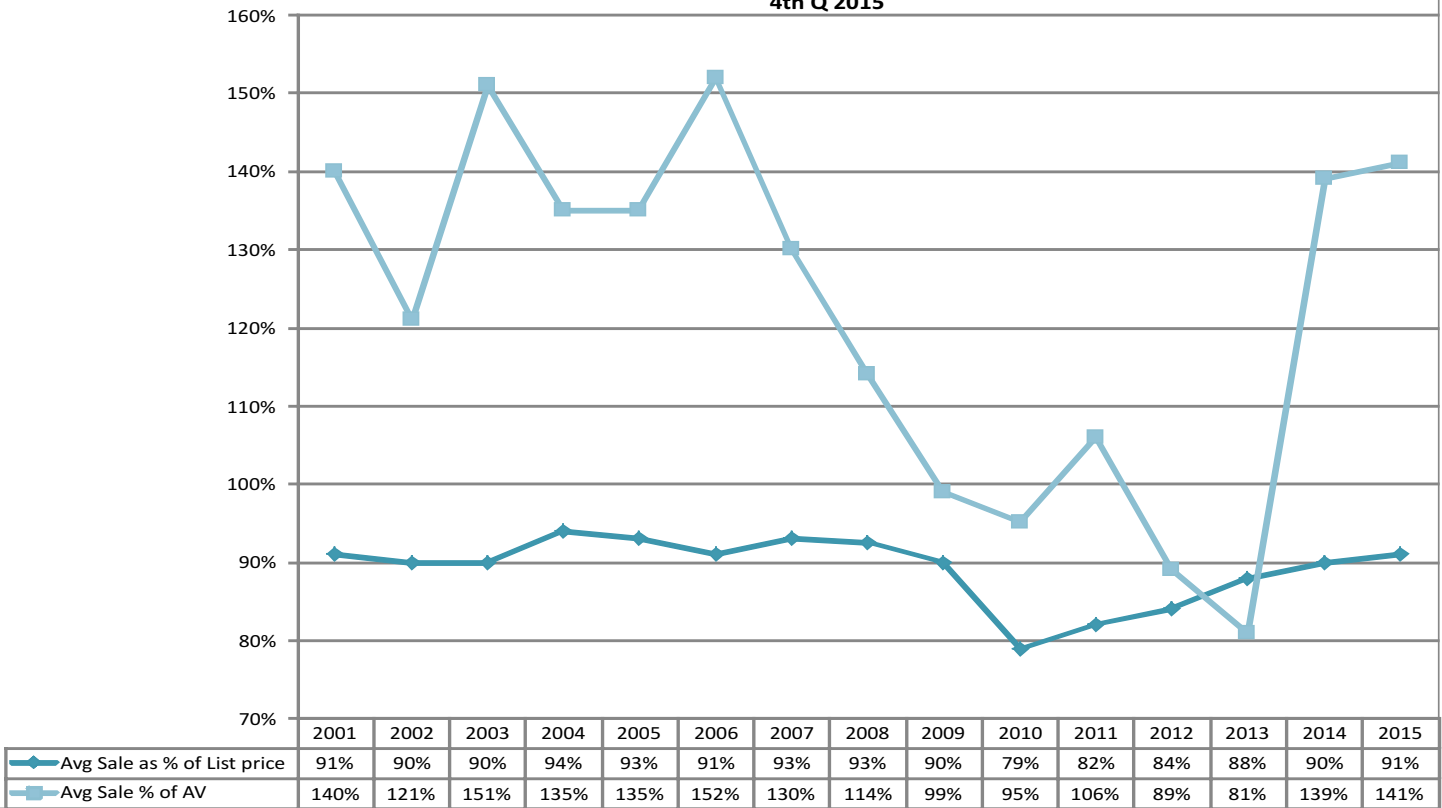
As a general rule, the tax rate is determined by dividing the Tax Levy (\$69.6 million in FY 2016) by the total taxable value (\$20,544,013,596) and then multiplying by \$1000. The proposed residential tax rate for FY 2016 is \$3.36 (in FY 2015 it was \$3.61). If you own a property assessed at \$1,000,000, your property tax bill would be \$3,360 annually. There is a residential exemption for year-round residents of Nantucket, set at \$336,917 or \$1,216.27 of property tax for FY 2015. The Town also has a senior citizen work program that will allow Nantucket residents over the age of 60 to receive a credit of up to \$750 on their tax bills in exchange for volunteer work performed for the town. To qualify, an applicant must meet the age requirement and be the owner of record of a Nantucket home used as a residence.



If you own a property on Nantucket and feel that your assessment is too high, you can file for a tax abatement. The deadline for doing so is February 1, 2016. Please contact the Town Assessor's office with any questions or if you wish additional information at 508-228-7200.

Nantucket: Sales as % of List Price and Assessed Value

4th Q 2015



B E N E F I T S O F D O I N G G O O D

Nantucket has been the beneficiary of the generosity of many unheralded people who had the foresight to protect their property with a conservation easement. There are many ways such an easement occurs, from protecting the facade of an historical structure to establishing limited areas for future building. For property owners, donating a conservation easement is a way to protect places that they love. When landowners donate a conservation easement, they give up part of the value of their property — often their family's biggest asset. Tax incentives offset some of that loss in property value, making conservation a viable option for more owners. The federal government recently expanded the time period for realizing the deduction from 5 to 15 years. This has the potential for a significant, and more flexible, benefit to donors. If you own property with important natural or historic resources, donating a voluntary conservation easement (also called conservation agreement) can be one of the smartest ways to conserve the land you love, while maintaining your private property rights and possibly realizing significant federal tax benefits. The conservation tax incentive:

- Raises the deduction a donor can take for donating a conservation easement from 30 percent of his or her income in any year to 50 percent;
 - Allows qualifying farmers and ranchers to deduct up to 100 percent of their income; and
 - Extends the carry-forward period for a donor to take tax deductions for a voluntary conservation agreement from 5 to 15 years.
- These changes apply to donations made at any time in 2015 and to all donations made after that. This is a powerful tool for allowing modest-income donors to receive greater credit for donating a very valuable conservation easement on property they own.

On Nantucket, the Nantucket Land Council and the Nantucket Preservation Trust are two groups which hold such easements. We encourage you to reach out to either if you wish more information.



A Peek at Nantucket History

Looking back in time, Nantucket Island, like most towns across the country, had no formal regulations for land development. From the mid 1800's to 1920's some large scale grid style subdivisions were filed on the island without formal planning. Nantucket was slow to adopt any controls. Thankfully, many of these developments were never built out.

In 1928 Nantucket voted to create a Planning Board to generate rules and guidelines for future development. Sadly, no one was ever appointed to this board. Years later in 1951 at Town Meeting, zoning was proposed and shot down by over 2/3rds of the voters. In 1966 a zoning committee was authorized and the first master plan was created 2 years later. Finally in 1972, zoning was officially adopted along with some other land use regulations. This adoption was a reaction to the Nantucket Sound Islands Trust bill, also known as the Kennedy Bill. This proposed federal legislation was focused on turning Nantucket and Martha's Vineyard into a National Land Trust, much like the Cape Cod National Seashore. Many felt this bill was a federal "seizure" of the island. The bill did not pass, but it compelled Nantucket to move forward with zoning and with an island wide Historic District Commission, the Conservation Commission and the Nantucket Planning and Economic Development Commission.

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Inventory: As of December 2015 there were 359 active sales listings. This compares to 286 in 2014 and 307 in 2013. The number of properties for sale is up slightly but not enough to cause concern or increase time on the market. During the height of the season last summer there were 507 active sales listings, an increase of 23% over the August of 2014. It is understandable that, with the higher number of listings, the market would moderate somewhat over 2014.

Our Crystal Ball: As we embark upon 2016, we maintain a promising long-term outlook for Nantucket real estate. Steady job growth, tight inventories and low mortgage rates helped spur rising home prices nationwide last year. The Standard & Poors/Case Schiller 20-city home price index rose 5.5 in the 12 months ending in October 2015. Nationwide, home prices have climbed at a roughly 5 percent pace during 2015. In mid-December the Federal Reserve raised the benchmark interest rate for the first time since 2006. Unemployment has remained at a seven year low of 5 percent for a few consecutive months. Based on the recent performance of the financial markets, there are likely to be periods of volatility but barring any unforeseen catastrophe, the underlying market fundamentals all point towards continued steady growth in 2016.



helpful information

Re-Financing or Buying a Home?

Here is an important bit of vital information your bank or loan officer may not mention when you are re-financing a property or buying a home. Once you receive your pre-qualification letter, **DO NOT** make any large purchases such as a car or boat. Do not quit your job, or make any financial moves that will affect your credit or financial standing with the bank. There are lending guidelines that the bank is required to follow and any major financial move may alter your loan approval to a denied status. The bank will re-check all your financials before the closing to re-confirm all your information.

Land Bank Exemption Increases!

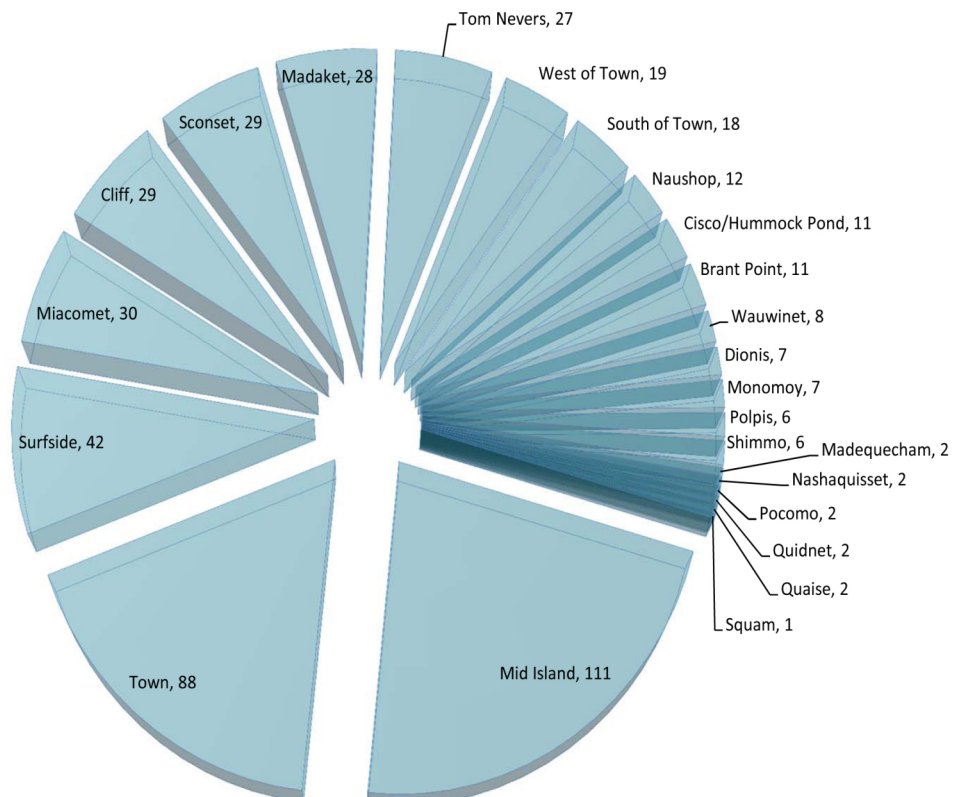
The Nantucket Islands Land Bank Fee is a 2% transfer tax on the purchase of real estate on Nantucket. Since the inception of the program there has been an exemption for first time buyers who meet certain conditions. The exemption was recently raised from \$400,000 to \$500,000. The exemption applies to buyers who have never owned real estate (anywhere) and who intend to occupy the property within 5 years of purchasing it. We applaud the Land Bank Commission for pro actively responding to the current real estate market conditions. Please contact your broker for more information.



Sellers: Hire a Real Estate Agent!

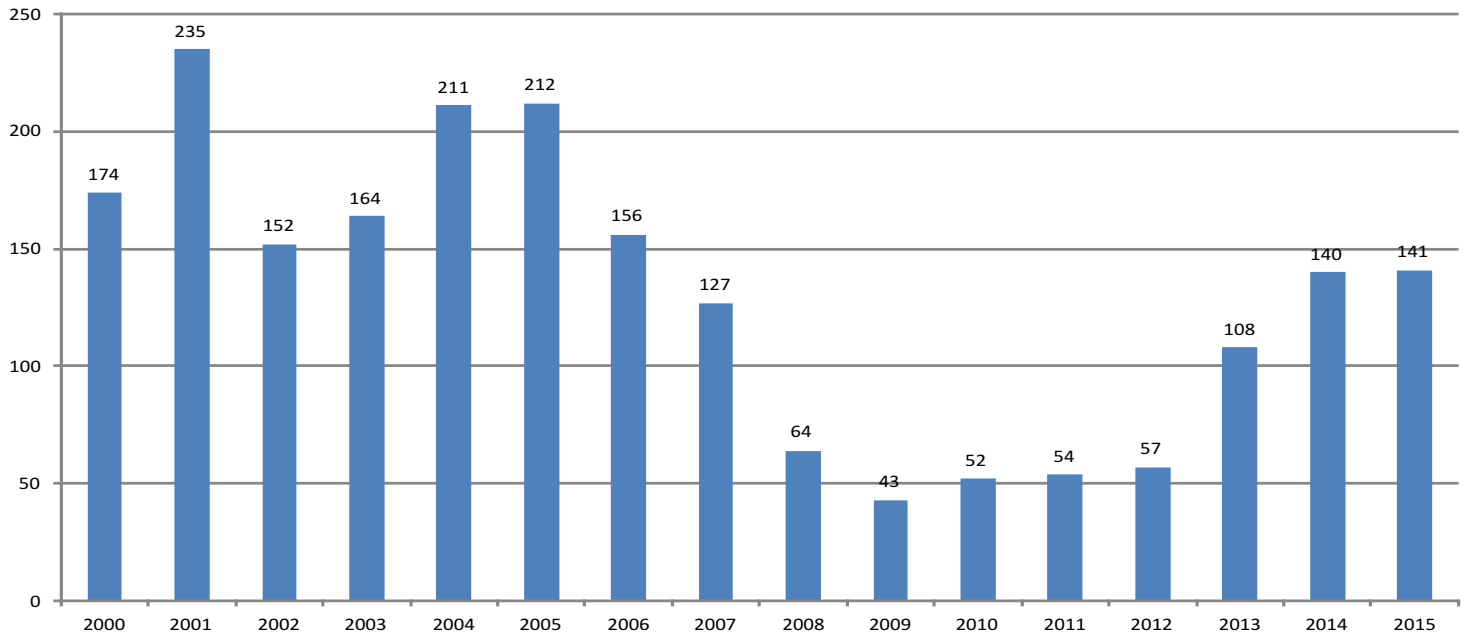
The National Association of Realtors has done studies indicating that when sellers use a professional real estate agent to represent them in the sale of their property, the property sells, on average, for 13% more than if they were to try to sell it on their own. Selling a home can be overwhelming or an enjoyable process. To help make it a pleasure, hire a professional real estate agent. Their fiduciary duty is to you, they represent you and your needs, not the buyer. A professional agent knows the local market, and how to navigate the many involved steps and changing regulations to help prevent delays or surprises during your sale. They can advise you on preparing your home, take care of the marketing and showings, expertly represent your property to buyers, and negotiate the sale to secure the best price. Hiring a good real estate agent is like hiring the best builder to build your house: you get what you pay for!

2015 Nantucket
Sales by Area



Nantucket: Building Permits

Single Family Residences, YTD



N e w s

Welcome Baby William! Our most heartfelt congratulations to Caitlin and Peter DuPont who welcomed William Beckett DuPont, nearly as the island New Years' baby, into the world on January 7th, 2016. William was born a healthy 7 lbs, 15 oz and is Nantucket's newest Whaler!



Vacation! The Steamship Authority started taking summer auto reservations this week. Time to book your rental if you have not yet done it! There is still some great availability for this summer, especially in July and late August. If you have some schedule flexibility you will find a good number of options available. Please contact your agent!

Zoning: There were numerous zoning changes at the fall Special Town Meeting. If you think your property might have been affected and would like more information, please contact your broker or the Planning and Land Use Department of the Town of Nantucket.

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