

Martha's Vineyard 2019 Real Estate Market Review

Provided by Tea Lane Associates

The Martha's Vineyard real estate market posted mixed results for 2019. The number of transactions fell 9 percent, to 537 total transactions for the year. The overall dollar volume, however, gained 6.3 percent in 2019, up to \$763.8 million. The average sales price rose 16.7 percent, to \$1.422 million. 2019 marks the third consecutive year of decreasing transactions, and the fifth consecutive year of expanding dollar volume. Martha's Vineyard Land Bank revenues increased by 13 percent over 2018.

As prices continued to rise, the overall average sales price of \$1.422 million in 2019 reached a level surpassing the last peak of the market, where average prices were \$1.325 million in 2006, and \$1.375 million in 2007. In this respect, the year 2019 represented a full recovery for the Martha's Vineyard market from the 2008-09 recession, and is consistent with national trends of home prices exceeding precollapse value in many areas.

The continued expansion of dollar volume in 2019 was driven by high-end sales and by the performance of the three up-Island towns, with help from Tisbury. Aquinnah, Chilmark, and West Tisbury experienced double-digit growth in dollar volume (12 percent, 31 percent, and 36 percent respectively), while dollar volume in Tisbury grew 5 percent, Oak

Bluffs remained flat, and Edgartown declined slightly, with a 2.2 percent decrease in dollar volume.

High-end sales in 2019 were record-setting. A record high number of sales occurred in the segment over \$3 million, and even more significantly in the \$10 million-plus segment. There were 11 sales over \$10 million in 2019, versus four in 2018 (and seven in 2015, which was the most recorded in a calendar year prior to 2019). 2019 sales included the most expensive residential sale ever on Martha's Vineyard, which transacted in January 2019. The 186-acre property on the North shore of West Tisbury, owned by the son of former Washington Post publisher Katharine Graham, sold on Jan. 1, 2019, for \$32.5 million.

Overall activity, or the number of transactions, has been falling for three years now, modestly in 2017 and 2018, with approximately 3 percent decline in each of those years, and more significantly in 2019, with a 9 percent decrease (from 590 sales in 2018 to 537 sales in 2019). While the high end thrived in 2019, one segment of the market which was hard-hit was the middle of the market, between \$1 million and \$3 million. There were 39 fewer sales in the \$1 to 3 million range in 2019, a 23 percent decline in this category from 2018 to 2019. The \$1 to \$3 million segment represented 28 percent of all transac-

tions in 2018, and dropped to 23 percent in 2019, whereas the \$3 million-plus segment grew from 5.6 percent to 9.5 percent of the overall number of transactions. The number of 2019 entry-level sales under a million also declined from 2018, as did the number of land sales. We will look at both these market segments later in this article.

While the above statistics include all transactions and represent Island-wide performance, individual towns and market segments reveal different dynamics in 2018. Martha's Vineyard is an Island with six towns, each with its own character and specific market conditions. Within each town, there are different niches as well ... waterfront, water view, high-end, midrange, entry-level, and commercial properties. Generalizing trends or making broad statements is challenging, because each market segment can be, on its own, very small. However, it is worth diving into the different towns and niches to understand their role in the overall market performance.

UP-ISLAND

Chilmark

2019 was a solid year for Chilmark, with 43 sales, exactly the same number of transactions as 2018. The high end returned to Chilmark

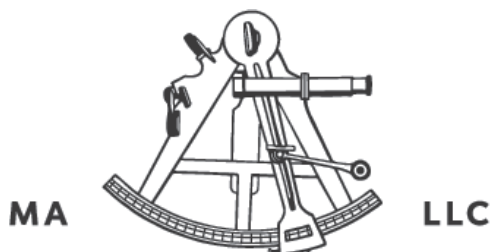
in 2019, with 10 sales over \$3 million (versus only four sales over \$3 million in 2018). Therefore, the total dollar volume and average price both rose significantly and at the same pace of 31 percent growth, to \$93.5 million in dollar volume, and to an average price of \$2.173 million.

Like the Island as a whole, Chilmark saw a slowdown in the midrange segment of \$1 to \$3 million in 2019: There were 14 sales in this range in 2019, down from 18 in 2018, a 20 percent decrease. The other slower segment in Chilmark in 2019 was the sale of beach lots. There were only three beach lot sales in Chilmark in 2019, compared with eight in 2018.

There were two sales over \$10 million in Chilmark in 2019: 1) a 4.1-acre waterfront estate on the south shore, with a four-bedroom main house and two-bedroom guesthouse, which sold in October 2019 for \$10,250,000, and, 2) a 5.9-acre property in Squibnocket Farm with a four-bedroom architecturally acclaimed house, pool, strong water views, and private beach access, which sold in May 2019 for \$11,083,500.

In 2019, Chilmark sales represented 8 percent of transactions, and 12 percent of dollar volume Island-wide. Chilmark had the highest average price of all the towns on the Island.

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West Tisbury

West Tisbury experienced flat activity, with 60 sales in 2019 (and 60 in 2018). Dollar volume was up 36 percent in 2019, to \$93.1 million, and average price increased 36 percent as well, to \$1.551 million. The rise in dollar volume and average price was due exclusively to the record-breaking \$32.5 million sale of Katharine Graham's estate on the north shore of West Tisbury, the most expensive residential sale to date on the Island. Without this specific transaction, the total dollar volume in West Tisbury fell 11 percent to \$60.56 million in 2019, and average price fell 10 percent to \$1.026 million.

In the West Tisbury market, the midrange \$1 to \$3 million segment fell from 20 sales in 2018 to 13 in 2019. The high-end \$3 million-plus segment inched upward from three sales in this category in 2018 to four sales, including the Graham sale, in 2019.

The \$32.5 million Graham estate included a main house, guesthouse, and beach house, plus other outbuildings and extensive trails, on 186 beautiful, rolling acres on the north shore of West Tisbury, with private beach.

In 2019, West Tisbury sales represented 11 percent of all transactions on the Island, and 12 percent of dollar volume.

Aquinnah

Aquinnah is the third of the three up-Island towns to post exactly the same number of sales in 2019 as in 2018: 12. And like the other up-Island towns, it also experienced growth in dollar volume and average price. Dollar volume grew 12 percent, to \$16.8 million, and average price grew 12 percent, to \$1.398 million. This smallest market on the Island represented 2 percent of total Island-wide transactions and dollar volume, which matched its position in 2018.

DOWN-ISLAND

Edgartown

Edgartown activity slowed in 2019, with an 18 percent decline in number of transactions (from 205 in 2018 to 168 in 2019), but dollar volume was only down 2 percent (from \$356 million in 2018 to \$348 million in 2019). It is worth noting that this 2 percent decline in dollar volume followed 27 percent and 26 percent growth in dollar volume in the two years prior. So the fact that 2019 dollar volume just about kept pace with the level set by the end of 2018 actually signifies decent performance for the town in 2019. Average price rose at a rate of 19 percent (from \$1.736 million in 2018 to \$2.071 million in 2019). Of the 11 sales over \$10 million on the Island in 2019, eight of them were in Edgartown. Overall, despite a slower market in Edgartown, 2019 was a solid year for this largest market of all the towns on the Island, but not for all segments.

Looking at specific segments in Edgartown, the midrange segment of \$1 to \$3 million declined 21 percent in 2019 (from 62 sales in 2018 to 49 sales in 2019). And the entry-level segment under \$1 million declined 26 percent (from 118 sales in 2018 to 87 in 2019).

Looking at the eight sales over \$10 million in 2019 in Edgartown, they range from a historic home on Edgartown Harbor with a dock for \$14.1 million to a Cow Bay compound with pool for \$11.25 million, to a 29-acre estate on Edgartown Great Pond for \$11.75 million, the last of which was purchased by the Obama family. It included nearly 7,000 square feet of living space, with seven bedrooms and 8.5 bathrooms, porches, swimming pool, and garden, and an expansive lawn area with a path to the pond.

Edgartown sales represented 31 percent of transactions and 46 percent of total dollar volume Island-wide in 2019.

Oak Bluffs

Oak Bluffs experienced a drop of 11.5 percent in the number of transactions, from 157 in 2018 to 139 in 2019. Dollar volume in the

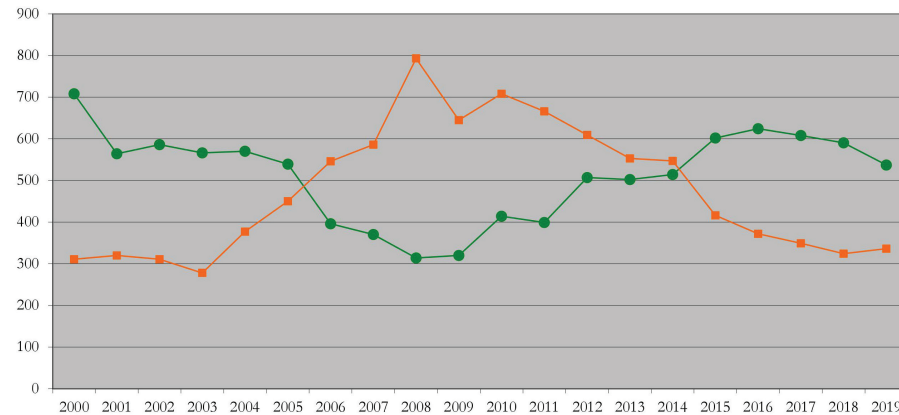
Oak Bluffs market remained essentially flat, at \$112 million year to year, and average price increased 13 percent from \$714k in 2018 to \$806k in 2019. The segment most significantly affected in 2019 in Oak Bluffs was the entry-level segment under \$1 million, which fell from 133 sales in 2018 to 116 in 2019. Also worth noting is that there were two sales over \$3 million in Oak Bluffs in 2019 (versus none in this category in 2018).

Oak Bluffs' transactions represented 26

in 2018). This \$3 million-plus segment of the market represented 45 percent of total Island-wide dollar volume in 2019, up from 30 percent of dollar volume in 2018.

We discussed last year that the high-end market was strong, but the highest segments had not reached the level of the real estate market peak of 2005-07. The performance of 2019 changes that narrative this year. The activity of the three-year period 2017-19 surpasses the last peak of the market in 2005-07. There were 17

Number of Martha's Vineyard Real Estate Transactions (line starting top left) and Peak Inventory of Residential Properties for Sale (line starting lower left)



KEY MARKET STATISTICS

ALL PROPERTIES	2019	2018	% Change YOY	5-Year AVG
Transactions	537	590	-9%	592
Dollar Volume (000)	\$763,800	\$718,369	6%	\$693,577
AVG Price	\$1.442mm	\$1.218mm	17%	\$1.178mm
AVG Days to Sell*	248	206	20%	251
Peak Inventory*	336	324	4%	359

* single family residential, source LINK

percent of transactions on the Island in 2019, and 15 percent of dollar volume.

Tisbury (Vineyard Haven)

Tisbury had a solid performance in 2019, and was the only town to post an increase in the number of transactions. Though modest, the number of sale grew 1.7 percent, with 115 transactions in 2019 (up from 113 in 2018), dollar volume rose 5 percent, to \$101 million (up from \$96 million in 2018) and average price rose 3.2 percent to \$874k (up from \$847k in 2018).

Considering specific market segments in Tisbury, the midrange of \$1 to \$3 million fell to 18 sales in this category in 2019, down from 30 in 2018. These losses were picked up mostly by the entry-level segment under \$1 million, which had 93 sales in 2019 (up from 82 in 2018). The high end had a bump in 2019 as well, with four sales over \$3 million (versus just one sale in this category in 2018).

Tisbury represented 21 percent of transactions, and 13 percent of dollar volume Island-wide.

Entry-level sales

Over the past three years, rising prices have shifted the entry-level segment of the market, all sales under \$1 million, from a growth segment (during the period 2008 to 2016) to a declining segment (2017 to present). With rising average prices in all towns in 2019, the total number of sales under \$1 million continued to decline. The number of transactions in this segment decreased 8.5 percent to 362 in 2019 (versus 396 in 2018, and 427 in 2017). As mentioned in the previous town-specific analysis, though, this segment did grow in Tisbury in 2019.

HIGH-END SALES

2019 was a strong year for the high-end segment of the market. There were a record-breaking 51 transactions over \$3 million, including 11 sales over \$10 million, and the sale of the most expensive residential property on the Island ever. There was a 55 percent jump in sales over \$3 million in 2019 (51 in 2019, up from 33

sales over \$10 million in 2017-19 (versus 14 in 2005-07). There were 34 sales over \$7 million in 2017-19 (up from 30 in 2005-07). There were 57 sales over \$5 million in 2017-19 (versus 49 in 2005-07). And there were 118 sales over \$3 million in 2017-19 (up from 91 in 2005-07).

Land sales

Sales of vacant, buildable parcels represented 6 percent of the total sales on the Island in 2019, and \$49 million in total dollar volume, which was a decline of 24 percent from \$64 million in dollar volume in 2018. The number of transactions dropped significantly as well, with a decline of 12.5 percent from 80 sales in 2018 to 70 sales in 2019. The number of land sales has decreased every year for the past four years.

Looking at high-end land sales, there were only two transactions over \$2 million in 2019, down from four in this category in 2018. These two sales in 2019 included a 4-acre parcel on Edgartown Harbor for \$11.25 million, and a 9-acre parcel on Menemsha Pond for \$3.4 million.

Beach lots represent a separate segment of land sales. These are unbuildable properties which convey ownership in private beaches on the Island. This segment slowed significantly in 2019, where only four beach lots transacted, versus 11 in 2018. This market is more volatile than the overall market, due to erratic availability of these properties.

Commercial sales

The sale of commercial properties fell to 13 transactions in 2019, down from 24 in 2018, but equal to the activity in 2017, when there were also 13 transactions. Of the 13 commercial transactions in 2019, five were in Edgartown, three in Oak Bluffs, four in Tisbury, and one in West Tisbury. The highest-priced commercial transaction was the sale of 35 Circuit Ave. in Oak Bluffs, which sold for \$2,015,000 in October 2019. This was a mixed-use retail/commercial/residential building in the heart of Oak Bluffs' main street, with 5,300 square feet of space, including three apartments, with potential for two more.

Market cycles

2019 was a year of ups and downs. In the first six months of 2019, the Vineyard market experienced a significant slowdown, while the second half of the year saw a strong resurgence in activity. Total sales fell 19 percent in the first half of 2019 compared with the first half of 2018. Total dollar volume fell 12 percent over the same period, while average price rose 8 percent these first six months. By the end of 2019, however, the market had turned around. The total number of transactions was still down, but only by 9 percent; total dollar volume had actually risen 6.3 percent for the year; and average price had further increased 16.7 percent in 2019 compared with 2018. For the second half of 2019, the number of sales transactions was 314, compared with 308 in 2018 for the same period, an increase of 2 percent in the summer and fall months between 2018 and 2019.

It is impossible to say with certainty what factors were responsible for this shift midway in 2019. Lowered interest rates probably played a role. In addition, the Vineyard market is a cyclical market, with pent-up demand. When demand is satisfied, it tends to be followed by a lull, and then the cycle begins again. An increase in inventory in the second half of the year may have been a factor also, as well as some price reductions. Although average price rose significantly in 2019, it did not always rise as high as sellers anticipated. The judicious adjusting of prices midseason may have given the market additional impetus this year. Or ... as uncertainty about the economy decreased, buyers may have become more open to purchasing property.

Certainly, the ups and downs of this year's market should lead to caution when predicting what 2020 will bring, and remind us that even a year is just a snapshot in time.

Conclusion

2019 was a record-breaking year for the Island's overall real estate market in terms of dollar volume and high-end sales. Although the performance of 2019 broke through the last peak of the market, there was also a significant drop in the number of transactions, and a significant weakening of the midrange and entry-level segments. Additionally, peak inventory levels, which had been declining for eight consecutive years, rose slightly in 2019, to 336 properties from 324 in 2018 (a 4 percent increase). This may reflect owners on the Vineyard deciding that, with rising prices, this was a good time to sell, or perhaps it was a reflection of other factors. 2019 marked the first time in eight years that inventory did not continue to decrease. While it is too early to predict a trend, if inventory increases further in 2020, this dynamic should loosen the pressure on buyers, and give them more negotiating power moving forward or, at least, slow the upward trend in prices in certain niches.

Looking beyond our Island, the U.S. economy has just set a record for the longest economic expansion in history. Some economists forecast that this expansion will end in 2020, while others are more optimistic. Many, although not all, economists are predicting that home prices will continue to rise nationally in 2020, although perhaps not as dramatically, putting particular pressure on buyers at the lower end of the price spectrum. We have already seen this on the Vineyard, most especially, with the affordable housing shortage for year-round residents as well as second-home buyers looking to enter the market in 2019.

Varying economic forecasts combined with 2020 being an election year make it especially difficult to predict what the next year will bring. But after the past five years of gains in dollar volume, sellers retain strong value in their properties on the Island. Reviewing a range of national forecasts, we found that the one thing most economists do agree on is their prediction that interest rates will remain low in 2020, and some predict they will reduce even further. As always, buyers who understand the market can find good opportunities, and the increase in purchasing power provided by low interest rates should continue to offer value to buyers in 2020.