

# SAN JUAN ISLANDS

REAL ESTATE TAB | DECEMBER 2023

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## REAL ESTATE MARKET AND YOUR TAX ASSESSMENT

All Island property owners received their tax assessments from the County in the middle of October. As real estate agents we will be fielding many questions about the statements and new assessments. As you may recall, the State has mandated that our Assessor's office convert to an annual assessment update cycle versus the cyclical system we were on for years. The current values are for a one-year period only and will be adjusted the next year. Areas of properties are physically inspected every 6th year on a rotating basis. The current process is much more stable and refined and is a more accurate system than we have had in the past.

For the last 20 years, the majority of the properties have sold above their tax assessments the with the exception of 2008-2013 which was the recession.

For example, during the recession, properties were selling at or below the assessor's values. However, back in 2006, many of the same type properties sold in an **average** range of 125%-170% **over** their tax assessments. These **average** percentages varied based on the type of property but generally that was the trend. Since 2014, due to market recovery, most homes are again selling above their tax assessment.

Reviewing the tax assessment as compared to the actual sales price for high-end homes is not reliable as they are very difficult to appraise due to custom features. The assessor relies on indications of value from market sales, and when there are not enough sales to determine the value of custom features, it is difficult to find an accurate standard of value for assessment purposes.

I do have to admit, as an agent, processing an opinion of value for a home in excess of \$2.5M can be challenging; the owner typically builds a very custom home with elaborate description of materials. Even licensed appraisers find it a challenge and some contact agents for more details. Again, there are fewer sales of similar homes in that segment of our market so there are not as many comparable properties to review.

As always, it is much easier to be accurate when you have ample data to use.

### The Purpose of the Assessments

Most of the confusion around the issuance of new tax assessments stems from the purpose and process of the tax assessment. The assessor is required to value properties for **tax purposes** at true and fair market value accordingly to the highest and best use of the property. The valuation assigned by a REALTOR for the purpose of marketing, or the value assigned by an appraiser for the purpose of lending, estate planning or probate purposes, will most likely be a different amount. The process of the valuation is different for each therefore, the results will vary. Generally, the differences in the process are described below:

### Appraiser and Agents:

Both appraisers and agents conduct an interior inspection then identify at least 3 or more truly comparable sales that are recently closed that are physically inspected or at minimum, viewed via photographs in the Northwest Multiple Listing Service. Ideally closed sales should be less than 90 days old. The appraiser and agents spend much more time on the property determining the desirability based on the features and amenities. They also rely upon a cost approach, but a depreciated figure is

deducted based on the age of the home and its condition. They will analyze the income approach if applicable. They base the value of docks at market.

Due to the size of our market, finding truly comparable property sales in our County has always been a challenge. A real estate agent even differs from an appraiser as we can use "Pending" transactions as comparable sales. We also consider the current level of similar inventory and absorption rate in the category to assist in pricing a property for the **current** market for our clients. Pricing against inventory versus closed sales is common in a positive trending market with low inventory.

### Assessor's Office:

The assessor's office performs appraisals for purposes of ad valorem taxation. This is part of the process for how we provide funding to all local government services, including schools, libraries, ports, fire districts, the hospital district, emergency medical services, cemeteries, state schools, parks, roads, sheriff and government.

Appraisers that work in the assessor's office generally use information gathered from site visits without the benefit of an interior inspection. The characteristics of the home and land are considered and compared on a "mass appraisal" basis to all other properties countywide, with statistical analysis of properties grouped by similar market influences and characteristics. The "mass appraisal" method provides more equal distribution of property taxes among property owners within the jurisdiction through standardization and improved consistency in the work of appraisers.



To continue reading  
**Real Estate Market and Your Tax Assessment**  
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<https://www.sanjuanislandslifestyle.com/blog>



VALLEY VIEW HOME  
\$615,000 - MLS #2026337



PETROLEUM BUSINESS  
\$800,000 - MLS #1808687



GREAT RENTAL INVESTMENT  
\$745,000 - MLS #2132058





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**Northwest Style Home on 6.69 Acres with Beautiful Views of San Juan Valley | Listed for \$929,000 | Listing ID #2133916**

Northwest style home on 6.69 with beautiful views of historic San Juan Valley (once known as Oak Prairie on the Hudson Bay Company maps) , Straits of Juan de Fuca, & Olympic Mountains. Garry Oaks & Shore Pines grace the entrance to the property, along with Douglas firs where bald eagles rest. 100 Leland Cypress trees for privacy. Open living & dining area, fiber, 1/2 guest bath, primary bedroom w/full bath. A daylight basement with full bath, plumbed for a kitchen, would make a great apartment with separate entrance. Loft with bedroom plumbed for 3/4 bath & a light filled studio, metal roof. Town water & private well; 500-gallon propane tank for generator. 10x16 storage shed.





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**WATERFRONT ESTATE | MLS #19777734 | \$4,950,000**

One Of The Most Spectacular Waterfront Properties In All The San Juan Islands. 2 Acre West Side Estate on a point; 900 ft medium-low bank WF; Breathtaking views of the Straits, the Olympic Mtns, Canada, whales, marine traffic, sunsets, and the lights of Victoria. 3450 sf, 3 bed, 2.5 bath main home. Two 600 sf cottages with baths. 3-bedroom septic allows for in-house or detached office-bedrooms. 1248 sf garage-shop-exercise-office; treehouse; extensive landscaping; 2 fenced gardens, heated greenhouse; chicken run; fresh water is produced via D-sal at a rate of up to 1500 gallons per day with a large storage capacity; 20KW backup generator. Gift yourself the generational experience of this lease-hold property with 70 years remaining.



**CUSTOM HOME ON ACREAGE | MLS #2160102 | \$2,495,000**

On the grid or off, your choice. Twelve outstanding deer-fenced acres, 1.16 mi from town center, with a custom 3080 sf home utilizing wood burls from Alaska, 675 sf log guesthouse with vacation rental permit, both overlooking the lake, 600 sf studio with bathroom, 140 sf studio, 550 sf detached garage, 3200 sf multipurpose shop with walk-in cooler, Starlink internet, 46 solar panels with bank of huge batteries, automated back-up generator, 2000 gallons of underground propane storage, large fruit and nut orchard, commercial garden including mature blueberry and raspberry bushes, a greenhouse, large chicken run, and a 2 acre lake. Commercial opportunity and/or completely self-sustaining if needed or desired.



**2 STORY CRAFTSMAN HOME | MLS #2175308 | \$1,245,000**

Outstanding opportunity far under replacement value: Two Story NW Craftsman Home with 4125 sf, 3 bedrooms, 3 baths, living room, 2 family rooms, filtered water view, good sun, ham radio setup if interested, and a .52 acres corner lot. The first-class elevator is a major asset and having a 2 car attached garage, a heated detached 3 car garage/shop, RV parking, and greenhouse are yet more tremendous assets. Access is through a magnificent 1200 acre National Park with 5 miles of accessible shoreline. Community amenities: paved roads, outdoor swimming pool, beach, marina, and National Park hiking trails nearby.



**CUSTOM DESIGNED HOME INCLUDED**

**INVESTMENT OPPORTUNITY | MLS #2144497 | \$5,450,000**

**SOLID INVESTMENT OPPORTUNITY!** The land and buildings of the Pelindaba Lavender business are being sold with the option of a continually renewable NNN 10-year leaseback to Pelindaba. NNN Lease of the \$3M commercial property would be adjusted every 5 years based on CPI at 8% (\$240,000/year). Conservative estimated commercial land value and building replacement costs: Land value: 19 acres (3 parcels) = \$1.M; Improvements: 15,000 sf manufacturing/office building x \$300/sf = \$4.5M, 1500 sf store facility x \$250/sf = \$375K, and 430 sf cottage x \$350/sf = \$150K... For an estimated total value of \$6M, with future tenant improvements adding further value. Plus the seller's stunning 6800 sf (approx) custom designed home and outbuildings on 3.9 acres valued at \$2.45M.



**PENDING**

**NEWLY UPDATED HOME | MLS #2159302 | \$699,000**

Newly updated with approximately 1300 sf, 2 bedrooms, 3 bathrooms, sunny and bright due to extensive windows and skylights, and new: whole-house water filter, free-standing propane stove, washer and dryer, exterior paint, roof, outdoor hot tub, and fenced garden. Newer siding and an approved 3-bedroom septic system. Located on a dead-end street within walking distance to town or to Jackson's Beach featuring a 70-acre waterfront park with about 4000 feet of shoreline.





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