

MARKET IN A MINUTE

A SUMMARY OF MARKET CONDITIONS FOR JANUARY 2016

CONTRACTS



Contract activity in January 2016 was **down 7.1%** from January of 2015, and there were decreases in all six price categories. However, it's clear that the blizzard from the 22nd – 24th was responsible for this decline – the first half of the month had seen an increase in the number of newly ratified contracts. The average number of days on the market for homes receiving contracts decreased from 87 days in January 2015 to 77 days in January 2016.

URGENCY INDEX



The Urgency Index, simply the measure of the percentage of homes going under contract that were on the market 30 days or less, was up in January compared to the year prior. During the past 12 years, the Index has been as high as 92% (May 2004) and as low as 16% (December 2007). In January 2016, the Urgency Index was **36.5%**, up slightly from 34.0% in January 2015.

INVENTORY



The number of homes on the market at the end of January was **down 3.0%** from the end of January 2015 but was up in the three top price categories. There was a decrease of **8.2%** in the number of new listings coming on the market. The decrease in contract activity was slightly more than the decrease in inventory, raising overall supply at the end of January to 2.8 months, up slightly from 2.7 months last January.

INTEREST RATES



Contrary to predictions, mortgage rates continue to fall – and while that's good for the housing market short term, it signals broader challenges. They're falling because investors are flooding the U.S. bond market. Mortgage rates follow the yield on bonds which loosely follow the 10-year Treasury. Investors are buying bonds as a safety play in a highly volatile and largely negative stock market. Signs of weakness in the U.S. economy, in addition to trouble in overseas markets, pushed the yield on the 10-year Treasury to its lowest level since 2012, and mortgage rates followed south. Rates at the end of January stood at 3.79%, almost a quarter point lower than the end of December.

AFFORDABILITY



The payment on a no-money-down, 30-year fixed mortgage for a median-priced home is **28.1% lower today** than it was in December 2008, and is also 2.5% lower than January last year. The median rented price (\$1,995 in January) was higher than the median mortgage payment (\$1,675 in January).

DIRECTION OF THE MARKET



The blizzard negatively impacted the housing market – and all other aspects of the economy – throughout the region, so don't read anything into the generally negative numbers in January. We haven't seen anything that changes our belief that the Montgomery County real estate market has really returned to a sense of normalcy, with relatively good balance between supply and demand. We don't see anything on the horizon domestically that is likely to make 2016 much different than 2015, simply because there are so many conflicting signs regarding the health of the overall economy.

MONTHLY SUMMARY JANUARY 2015 vs. JANUARY 2016

MONTGOMERY COUNTY	January 2015	January 2016	% Change
Number of Sales	605	662	9.4%
Fully Available Inventory on 1/31	2,179	2,113	-3.0%
Number of New Listings	951	873	-8.2%
Number of New Contracts	814	756	-7.1%
Days on Market - New Contracts	87	77	-11.5%
Average Sales Price	\$460,222	\$452,221	-1.7%
Average Seller Subsidy	\$3,402	\$3,685	8.3%
Urgency Index	34.0%	36.5%	7.4%
Months' Supply	2.7	2.8	4.4%

WASHINGTON, DC

Number of Sales	472	457	-3.2%
Fully Available Inventory on 1/31	960	1,093	13.9%
Number of New Listings	675	747	10.7%
Number of New Contracts	588	522	-11.2%
Days on Market - New Contracts	54	49	-9.3%
Average Sales Price	\$623,059	\$598,345	-4.0%
Average Seller Subsidy	\$2,516	\$3,131	24.4%
Urgency Index	51.9%	56.1%	8.1%
Months' Supply	1.6	2.1	28.2%

NORTHERN VIRGINIA

Number of Sales	1,020	1,026	0.6%
Fully Available Inventory on 1/31	3,081	3,266	6.0%
Number of New Listings	1,715	1,536	-10.4%
Number of New Contracts	1,378	1,262	-8.4%
Days on Market - New Contracts	78	80	2.6%
Average Sales Price	\$545,910	\$533,898	-2.2%
Average Seller Subsidy	\$3,258	\$3,538	8.6%
Urgency Index	37.2%	34.7%	-6.7%
Months' Supply	2.2	2.6	15.7%

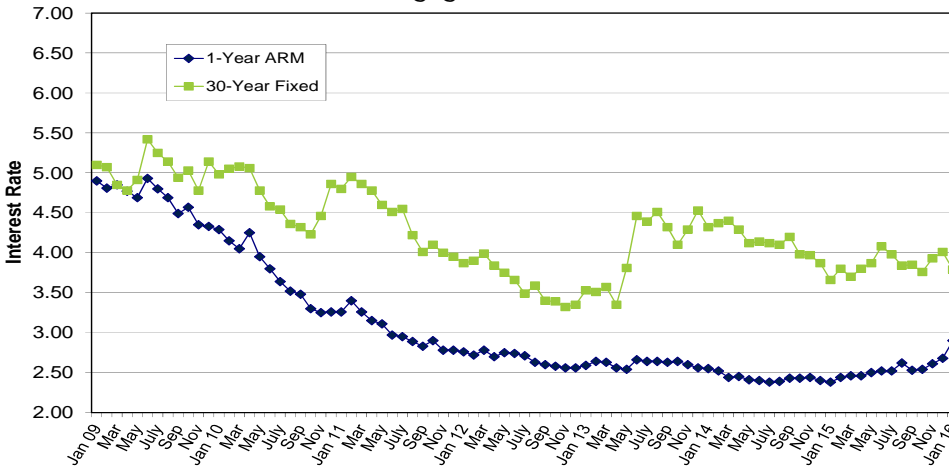
LOUDOUN COUNTY

Number of Sales	293	332	13.3%
Fully Available Inventory on 1/31	1,553	1,352	-12.9%
Number of New Listings	590	531	-10.0%
Number of New Contracts	434	415	-4.4%
Days on Market - New Contracts	95	88	-7.4%
Average Sales Price	\$470,353	\$483,549	2.8%
Average Seller Subsidy	\$3,790	\$4,295	13.3%
Urgency Index	30.6%	38.3%	25.2%
Months' Supply	3.6	3.3	-9.0%

* Note: Percentages depicted in red indicate a negative market trend; black indicates a positive market trend

30-YEAR FIXED AND 1-YEAR ADJUSTABLE RATES

Month-End Mortgage Rates – 2008-Current

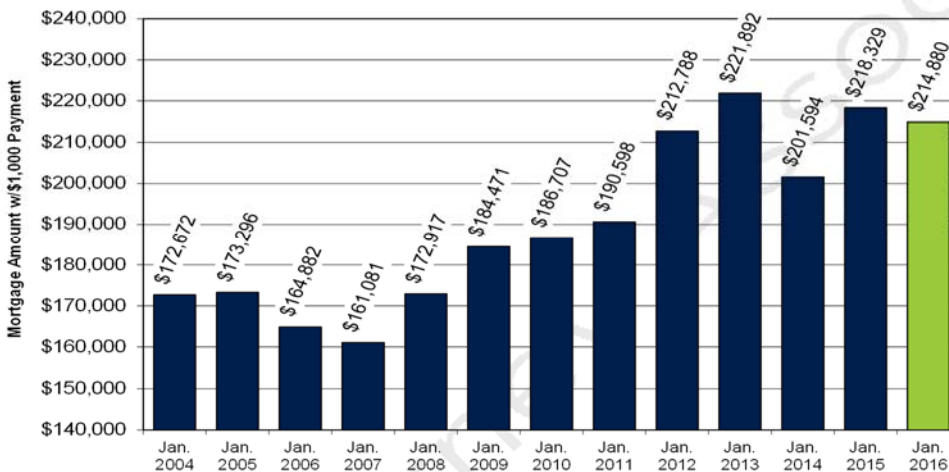


MORTGAGE RATES

- 30-year fixed interest rates at the end of January averaged 3.79%, compared to 3.66% at the end of January 2015.
- One-year adjustable rate mortgages were 2.90% at the end of January 2016, which is up from 2.38% at the end of January 2015.

BUYING POWER

Mortgage Amount with \$1,000 Payment

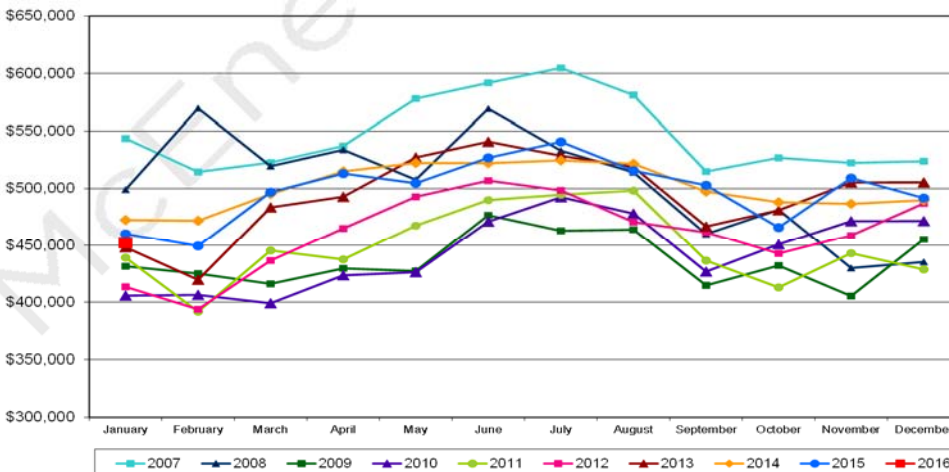


BUYING POWER

- A \$1,000 principal and interest payment supported a loan of \$209,209 at the end of January, which is **\$3,449 less** than January 2015 and **\$42,208 more** than January 2004.
- In January 2008, it would have taken a monthly PI payment of \$2,331 to purchase a median-priced home. Lower rates combined with a lower median price now means it takes a payment of \$1,675 to buy a median-priced home. **That's a 28.1% decrease.**

AVERAGES SALE PRICE

Montgomery County – 2007-Current

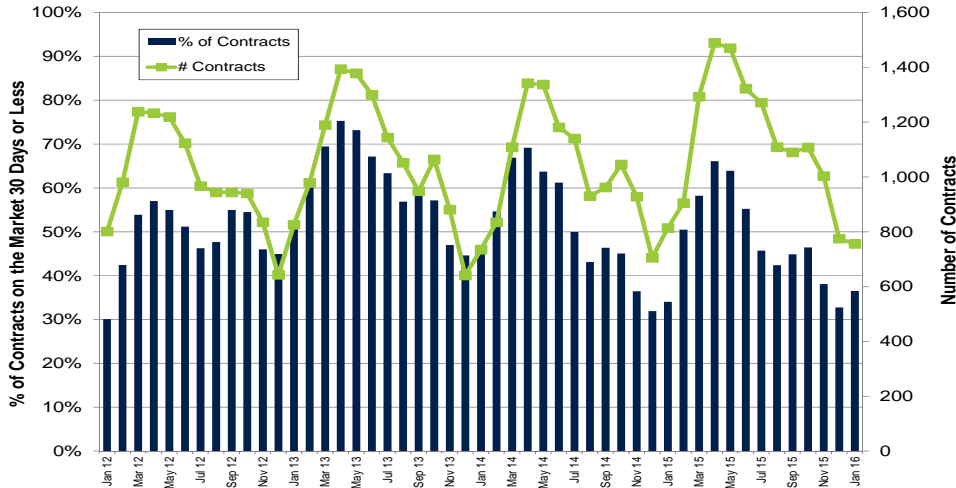


AVERAGE PRICES

- January 2016's average sales price was **\$452,221, down 1.7%** from the January 2015 average price of \$460,222.
- Remember that these indicators are arithmetic computations based on all properties sold and **do not** indicate the appreciation or depreciation of any individual property.

URGENCY INDEX

% of Contracts on the Market for 30 Days or Less
Montgomery County – 2012-Current

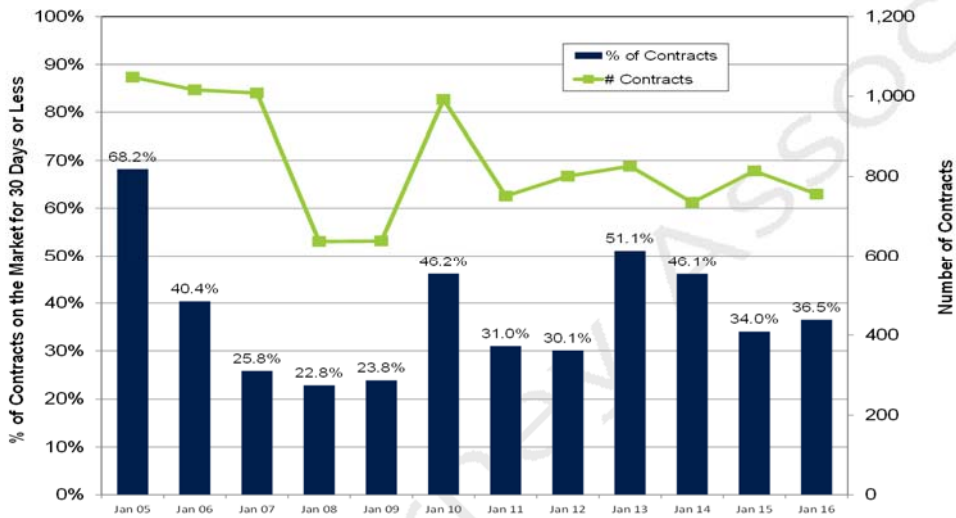


URGENCY INDEX – 2012-Current

- This chart compares the number of contracts (green line) to the percent that were on the market 30 days or less (blue bars). At first glance, it might appear that the lower contract activity also means a lower percentage of homes that sell quickly – but that’s not always true.
- As an example, December is always the month with the lowest number of contracts. In December 2011 (not on this chart) had a 30% index, but that jumped to 44% in 2012, an early indicator that the market was picking up heading into 2013.

URGENCY INDEX

Montgomery County – January 2005-2016

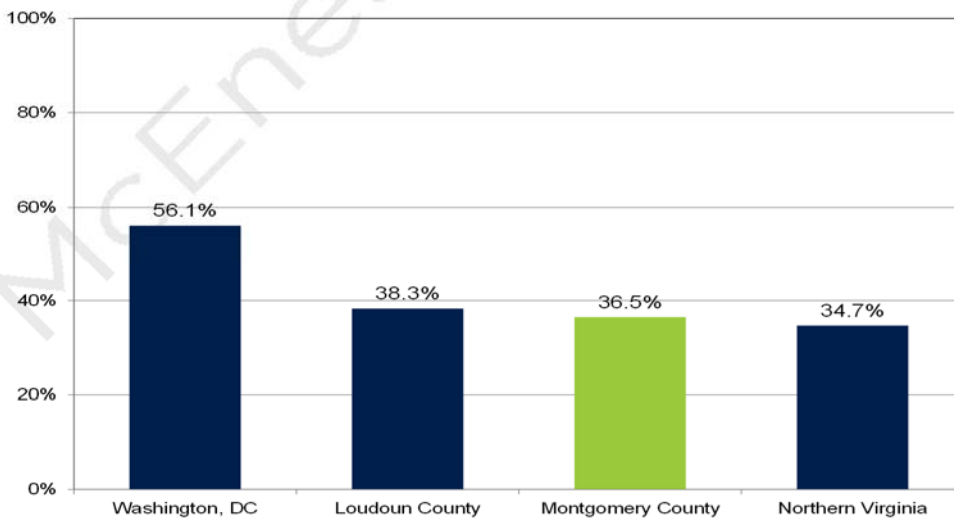


URGENCY INDEX - January

- During the past 12 years, the Urgency Index has been as high as 68.2% and as low as 22.8%.
- Look how much buyer expectations changed from January 2005 to 2006. The number of ratified contracts decreased by 3.1%, but the Urgency Index fell by 40.8%, indicative of some real buyer pessimism.
- The average January Urgency Index during the past 12 years is 38.0% - higher than where we are today.
- A good sign: contract activity **decreased** 7.1% from January 2015, while the Urgency Index **increased** from 34.0% to 36.5%.

URGENCY INDEX

DC Metro Area by Jurisdiction Comparison – January 2016

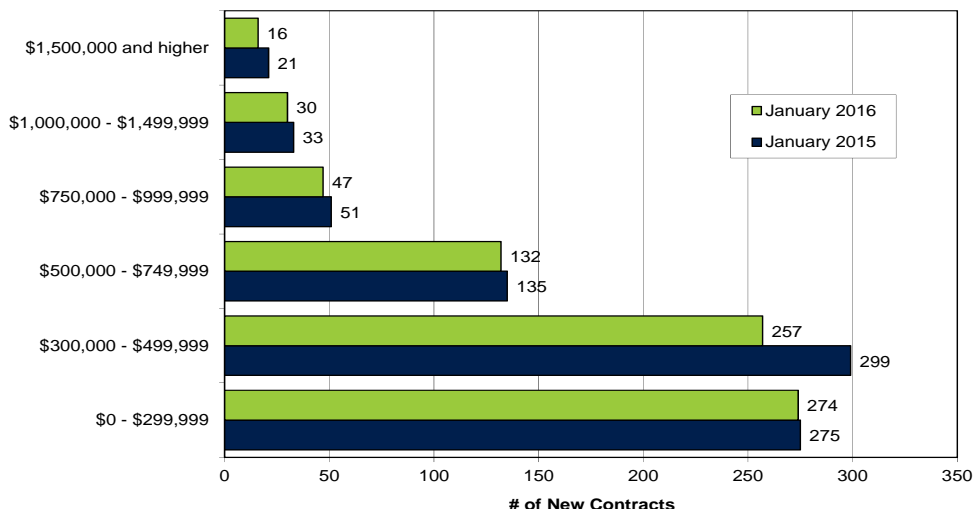


URGENCY INDEX – DC Metro Area

- There are significant differences among the DC Metro Area markets.
- The average January Urgency Index during the past 12 years for all four of the jurisdictions we track is 41.8%. Today, the District is outperforming its neighbors at 56.1%, which is higher than its historical average.
- Montgomery County is in third place for January, between Loudoun County and Northern Virginia. As noted above, it is lower than its 12-year average.

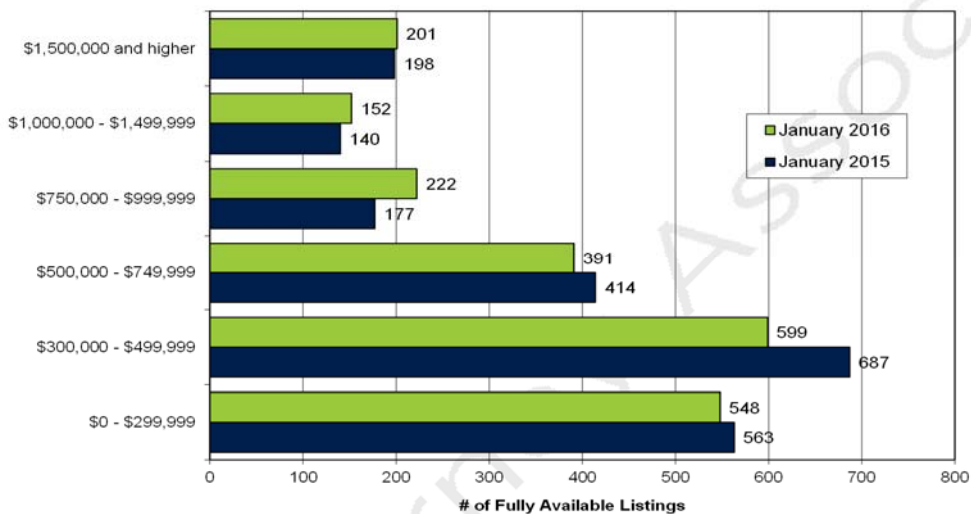
NEW CONTRACT ACTIVITY

Montgomery County – January 2015 vs. January 2016 by Price Range



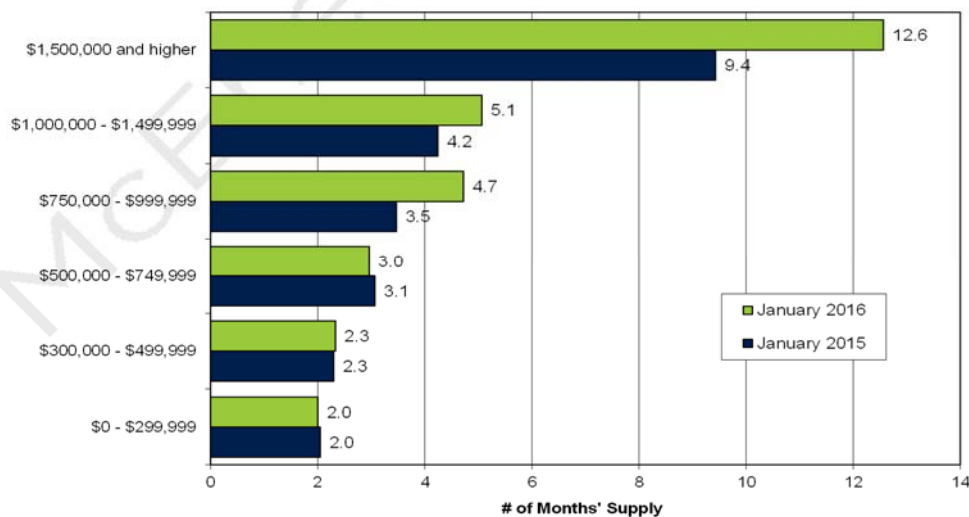
FULLY AVAILABLE LISTINGS

Montgomery County – January 31, 2015 vs. January 31, 2016



MONTHS' SUPPLY

Montgomery County – End of January 2015 vs. End of January 2016



NEW CONTRACT ACTIVITY

- As noted on page 2, the number of new contracts ratified in January 2016 was **down 7.1%** from the number of contracts ratified in January 2015, and there were decreases for all six price categories.
- 40.5%** of all homes going under contract in January 2016 had a price reduction before going under contract.

FULLY AVAILABLE LISTINGS

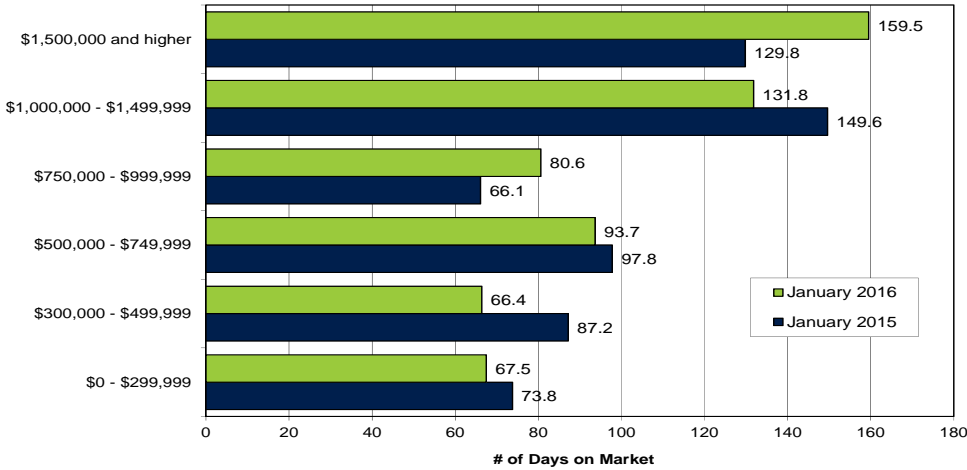
- As noted on page 2, the overall inventory **decreased 3.0%** in January 2016 compared to January 2015.
- Inventory increased for three price categories.
- 39.9%** of all homes on the market have had at least one price reduction since coming on the market. In January 2015, **37.8%** of all homes on the market had at least one price reduction.

MONTHS' SUPPLY

- The overall supply of homes on the market at the end of January was **2.8 months**, up 4.4% from 2.7 months at the end of January 2015.
- Supply is slightly lower for homes priced \$500,000-\$749,999.

AVERAGE NUMBER OF DAYS ON MARKET

Montgomery County – January 2015 vs. January 2016 – New Contracts

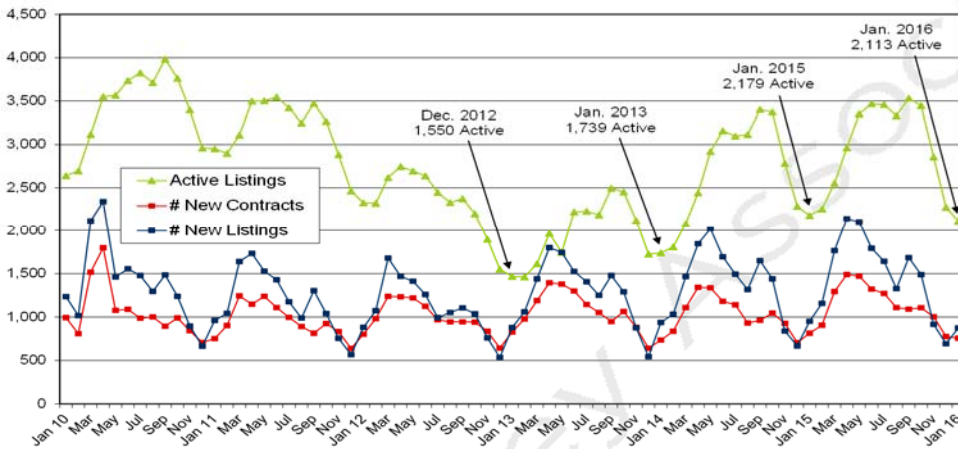


AVERAGE NUMBER OF DAYS ON THE MARKET – NEW CONTRACTS

- The average number of days on the market for homes receiving contracts in January was up for two price categories.
- Overall, the average number of days on the market for all homes receiving contracts in January 2015 was **77 days**, down 11.5% from 87 days in January 2015.

NUMBER OF NEW LISTINGS, NEW CONTRACTS, AND ACTIVE LISTINGS

Montgomery County – January 2010-Current

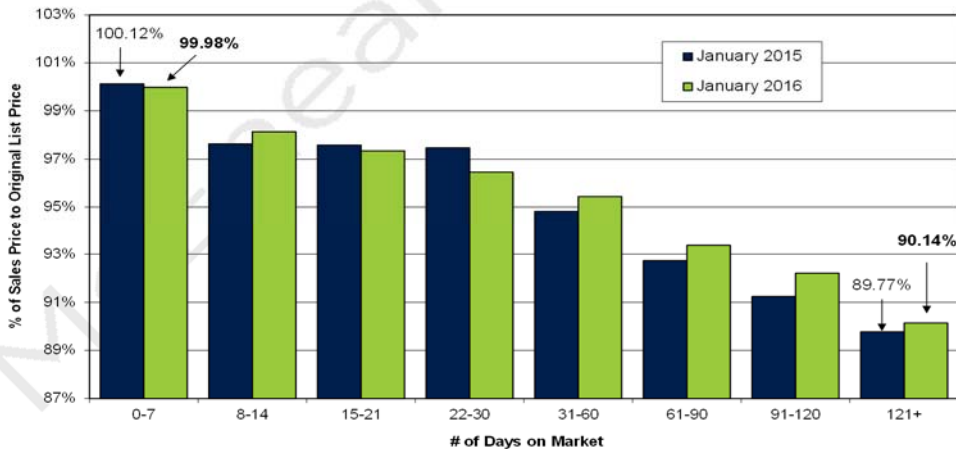


NUMBER OF NEW LISTINGS, CONTRACTS AND ACTIVE LISTINGS

- There were 873 new listings that came on the market in January 2016, an **8.2% decrease** from January 2015.
- The incredibly tight market in the spring of 2013 – shown by the convergence of the blue (new listings), green (active inventory) and red (new contracts) lines – now shows a sizeable gap.

RELATIONSHIP OF SALES PRICE TO ORIGINAL LIST PRICE vs. DAYS ON MARKET

Resale Properties Sold in Montgomery County – Jan. 2015 vs. Jan. 2016



RELATIONSHIP OF SALES PRICE TO ORIGINAL LIST PRICE vs. DAYS ON MARKET

- Initial pricing strategy is critical to the listing process, regardless of market conditions. The longer a home sits on the market, the deeper the discount to its original list price will likely be.
- Homes settling in January 2016 that received contracts their first week on the market sold, on average, just **0.02% below** list price. Those that took 4 months or longer to sell sold at **9.86% below** original list!

SOME DEFINITIONS AND EXPLANATIONS TO AID YOUR UNDERSTANDING OF THE DATA

- The data shown here are collected, in whole or in part, from the Metropolitan Regional Information System, Inc. and are believed to be reliable but are not guaranteed
- "Sales" are transactions that settled during the statistical period; "Under Contracts" are contracts negotiated during the statistical period, but not yet settled
- "Available Listings" reflects single-family homes, town homes, new homes and condos on the market at the end of the period in question.
- "Months' Supply" is simply the number of "Fully Available Listings" on the market at the end of the month divided by the number of "Contracts" ratified that month.

Analysis by Property Type – Condo/Co-op

LISTINGS

Condo/Co-op Listings	New This Month			Total Active		
	2015	2016	% Change	2015	2016	% Change
\$299,999 and under	172	147	-14.5%	339	353	4.1%
\$300,000 - \$499,999	59	57	-3.4%	119	109	-8.4%
\$500,000 - \$749,999	11	15	36.4%	30	33	10.0%
\$750,000 - \$999,999	4	5	25.0%	6	13	116.7%
\$1,000,000 - \$1,499,999	0	2	-	3	5	66.7%
\$1,500,000 & higher	3	6	100.0%	7	10	42.9%
Grand Total:	249	232	-6.8%	504	523	3.8%

CONDO/CO-OP – LISTINGS

- The number of **new** listings for condos and co-ops coming on the market **decreased 6.8%** compared to January 2015.
- The fully available inventory of condos as of January 31, 2016 is **3.8% more** than the year prior.

CONTRACTS

Condo/Co-op Contracts	New This Month			Year-To-Date		
	2015	2016	% Change	2015	2016	% Change
\$299,999 and under	151	134	-11.3%	151	134	-11.3%
\$300,000 - \$499,999	39	36	-7.7%	39	36	-7.7%
\$500,000 - \$749,999	11	11	0.0%	11	11	0.0%
\$750,000 - \$999,999	0	2	-	0	2	-
\$1,000,000 - \$1,499,999	1	1	0.0%	1	1	0.0%
\$1,500,000 & higher	2	1	-50.0%	2	1	-50.0%
Grand Total:	204	185	-9.3%	204	185	-9.3%

CONDO/CO-OP – CONTRACTS

- The number of condos and co-ops receiving ratified contracts **decreased 9.3%** in January 2016 compared to January 2015.

SETTLEMENTS

Condo/Co-op Settlements	New This Month			Year-To-Date		
	2015	2016	% Change	2015	2016	% Change
\$299,999 and under	112	120	7.1%	112	120	7.1%
\$300,000 - \$499,999	41	44	7.3%	41	44	7.3%
\$500,000 - \$749,999	9	4	-55.6%	9	4	-55.6%
\$750,000 - \$999,999	0	2	-	0	2	-
\$1,000,000 - \$1,499,999	0	2	-	0	2	-
\$1,500,000 & higher	2	1	-50.0%	2	1	-50.0%
Grand Total:	164	173	5.5%	164	173	5.5%

CONDO/CO-OP – SETTLEMENTS AND AVERAGE PRICE

- The number of condos and co-ops settling in January 2016 **increased 5.5%** compared to January 2015.
- The average price was **down 2.5%** compared to January 2015.

Average Sales Price:	Jan 2015	Jan 2016	% Change	YTD 2015	YTD 2016	% Change
Condo/Co-op	\$262,942	\$256,319	-2.5%	\$262,942	\$256,319	-2.5%

Analysis by Property Type – Fee Simple Attached

LISTINGS

Fee Simple Attached	New This Month			Total Active		
	2015	2016	% Change	2015	2016	% Change
Listings						
\$299,999 and under	95	81	-14.7%	177	157	-11.3%
\$300,000 - \$499,999	92	78	-15.2%	175	140	-20.0%
\$500,000 - \$749,999	19	25	31.6%	52	42	-19.2%
\$750,000 - \$999,999	4	3	-25.0%	11	16	45.5%
\$1,000,000 - \$1,499,999	4	1	-75.0%	8	12	50.0%
\$1,500,000 & higher	0	1	-	11	4	-63.6%
Grand Total:	214	189	-11.7%	434	371	-14.5%

ATTACHED HOMES – LISTINGS

- The number of new listings coming on the market in January 2016 for fee simple attached homes **decreased 11.7%** compared to January 2015.
- The fully available inventory as of January 31, 2016 is **14.5% less** than this time in 2015.

CONTRACTS

Fee Simple Attached	New This Month			Year-To-Date		
	2015	2016	% Change	2015	2016	% Change
Contracts						
\$299,999 and under	99	106	7.1%	99	106	7.1%
\$300,000 - \$499,999	68	64	-5.9%	68	64	-5.9%
\$500,000 - \$749,999	16	19	18.8%	16	19	18.8%
\$750,000 - \$999,999	1	5	400.0%	1	5	400.0%
\$1,000,000 - \$1,499,999	1	2	100.0%	1	2	100.0%
\$1,500,000 & higher	0	0	-	0	0	-
Grand Total:	185	196	5.9%	185	196	5.9%

ATTACHED HOMES – CONTRACTS

- Contract activity for attached homes **increased 5.9%** in January 2016 compared to January 2015.

SETTLEMENTS

Fee Simple Attached	New This Month			Year-To-Date		
	2015	2016	% Change	2015	2016	% Change
Settlements						
\$299,999 and under	65	71	9.2%	65	71	9.2%
\$300,000 - \$499,999	43	47	9.3%	43	47	9.3%
\$500,000 - \$749,999	15	17	13.3%	15	17	13.3%
\$750,000 - \$999,999	4	0	-100.0%	4	0	-100.0%
\$1,000,000 - \$1,499,999	3	2	-33.3%	3	2	-33.3%
\$1,500,000 & higher	0	0	-	0	0	-
Grand Total:	130	137	5.4%	130	137	5.4%

ATTACHED HOMES – SETTLEMENTS AND AVERAGE PRICE

- The number of settlements **increased 5.4%** in January 2016 compared to January 2015.
- The average sales price was **down 7.7%** in January 2016 compared to January 2015.

Average Sales Price:	Jan 2015	Jan 2016	% Change	YTD 2015	YTD 2016	% Change
Fee Simple Attached	\$364,695	\$336,476	-7.7%	\$364,695	\$336,476	-7.7%

Analysis by Property Type – Fee Simple Detached

LISTINGS

Fee Simple Detached	New This Month			Total Active		
	2015	2016	% Change	2015	2016	% Change
Listings						
\$299,999 and under	24	23	-4.2%	47	38	-19.1%
\$300,000 - \$499,999	172	151	-12.2%	393	350	-10.9%
\$500,000 - \$749,999	140	131	-6.4%	332	316	-4.8%
\$750,000 - \$999,999	68	60	-11.8%	160	193	20.6%
\$1,000,000 - \$1,499,999	43	48	11.6%	129	135	4.7%
\$1,500,000 & higher	41	39	-4.9%	180	187	3.9%
Grand Total:	488	452	-7.4%	1241	1219	-1.8%

DETACHED HOMES – LISTINGS

- The number of new listings for fee simple detached homes was **down 7.4%** in January 2016 compared to January 2015.
- The number of detached homes on the market on January 31, 2016 **decreased 1.8%** compared to January 31, 2015.

CONTRACTS

Fee Simple Detached	New This Month			Year-To-Date		
	2015	2016	% Change	2015	2016	% Change
Contracts						
\$299,999 and under	25	34	36.0%	25	34	36.0%
\$300,000 - \$499,999	192	157	-18.2%	192	157	-18.2%
\$500,000 - \$749,999	108	102	-5.6%	108	102	-5.6%
\$750,000 - \$999,999	50	40	-20.0%	50	40	-20.0%
\$1,000,000 - \$1,499,999	31	27	-12.9%	31	27	-12.9%
\$1,500,000 & higher	19	15	-21.1%	19	15	-21.1%
Grand Total:	425	375	-11.8%	425	375	-11.8%

DETACHED HOMES – CONTRACTS

- The number of contracts on detached homes in January 2016 was **down 11.8%** compared to January 2015.

SETTLEMENTS

Fee Simple Detached	New This Month			Year-To-Date		
	2015	2016	% Change	2015	2016	% Change
Settlements						
\$299,999 and under	26	30	15.4%	26	30	15.4%
\$300,000 - \$499,999	146	155	6.2%	146	155	6.2%
\$500,000 - \$749,999	72	98	36.1%	72	98	36.1%
\$750,000 - \$999,999	37	35	-5.4%	37	35	-5.4%
\$1,000,000 - \$1,499,999	17	24	41.2%	17	24	41.2%
\$1,500,000 & higher	13	10	-23.1%	13	10	-23.1%
Grand Total:	311	352	13.2%	311	352	13.2%

DETACHED HOMES – SETTLEMENTS AND AVERAGE PRICE

- The number of settlements in January was **up 13.2%** compared to January 2015.
- The average sales price for detached homes **decreased just 0.4%** in January 2016 compared to January 2015.

Average Sales Price:	Jan 2015	Jan 2016	% Change	YTD 2015	YTD 2016	% Change
Fee Simple Detached	\$600,834	\$598,131	-0.4%	\$600,834	\$598,131	-0.4%

Absorption Rate by Property Type

The following tables track absorption rate by property type, comparing the rates in the just-completed month to the rates in the same month of the previous year. The absorption rate is a measure of the health of the market, and tracks the percentage of homes that were on the market during the given month and in the given price range that went under contract. [The formula is # Contracts/(# Contracts + # Available).] An example: The absorption rate for attached homes priced between \$500,000 and \$749,999 in January 2016 was 31.1%; that compares to a rate of 23.5% in January 2015, and the increase means the market was better in 2016 for that type of home. If the absorption rate was less in 2016 than in 2015, we have put the more recent absorption rate in **red**. This month there was **improvement for 8 of 18 individual categories**, and one remained the same.

Condo/Co-op	January 2015			January 2016		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 and under	339	151	30.8%	353	134	27.5%
\$300,000 - \$499,999	119	39	24.7%	109	36	24.8%
\$500,000 - \$749,999	30	11	26.8%	33	11	25.0%
\$750,000 - \$999,999	6	0	0.0%	13	2	13.3%
\$1,000,000 - \$1,499,999	3	1	25.0%	5	1	16.7%
\$1,500,000 & higher	7	2	22.2%	10	1	9.1%
Grand Total:	504	204	28.8%	523	185	26.1%

ABSORPTION RATES – CONDOS AND CO-OPS

- The overall absorption rate for condos and co-ops for January 2016 was 26.1%, a decrease from the 28.8% rate in January 2015.

Fee Simple Attached	January 2015			January 2016		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 and under	177	99	35.9%	157	106	40.3%
\$300,000 - \$499,999	175	68	28.0%	140	64	31.4%
\$500,000 - \$749,999	52	16	23.5%	42	19	31.1%
\$750,000 - \$999,999	11	1	8.3%	16	5	23.8%
\$1,000,000 - \$1,499,999	8	1	11.1%	12	2	14.3%
\$1,500,000 & higher	11	0	0.0%	4	0	0.0%
Grand Total:	434	185	29.9%	371	196	34.6%

ABSORPTION RATES – ATTACHED HOMES

- The overall absorption rate for attached homes for January 2016 was 34.6%, up from the 29.9% rate in January 2015.
- All six price categories either improved or were unchanged.

Fee Simple Detached	January 2015			January 2016		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 and under	47	25	34.7%	38	34	47.2%
\$300,000 - \$499,999	393	192	32.8%	350	157	31.0%
\$500,000 - \$749,999	332	108	24.5%	316	102	24.4%
\$750,000 - \$999,999	160	50	23.8%	193	40	17.2%
\$1,000,000 - \$1,499,999	129	31	19.4%	135	27	16.7%
\$1,500,000 & higher	180	19	9.5%	187	15	7.4%
Grand Total:	1241	425	25.5%	1219	375	23.5%

ABSORPTION RATES – DETACHED HOMES

- January 2016's absorption rate for detached homes was 23.5%, down from the 25.5% rate of January 2015.
- And as we have seen in the other property types, the absorption rates are higher for the lower-priced categories.