McEnearney Realtors® Associates

Market Watch

Montgomery County

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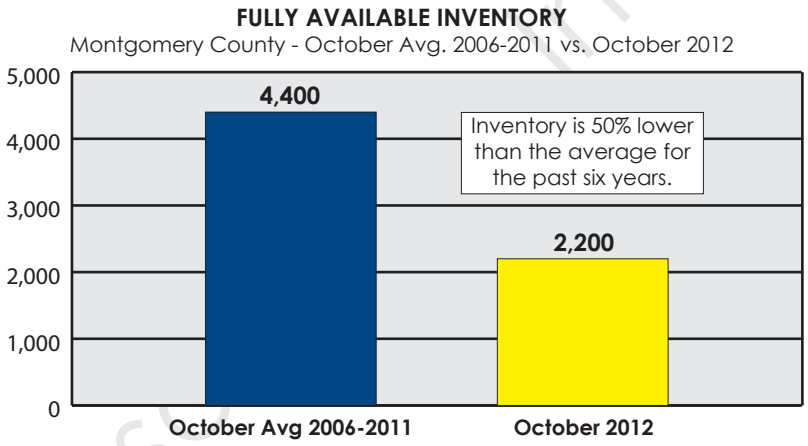
THE REAL STORY IS INVENTORY – AND THE LACK OF IT

There's only a 2.3-month supply of homes on the market in Montgomery County, the lowest we've seen at this time of year in almost a decade. This is due in part to an increase in new contract activity, but it's primarily due to plummeting inventory.

The average number of fully available homes on the market for the past six years at the end of October was 4,400. **Right now, it's exactly half that, at 2,200.** The shortage is particularly acute for homes priced less than $500,000 so those first-time homebuyers are finding pretty slim pickings. Believe it or not, if no new listings came on the market, at the current pace of contracts every home priced less than $300,000 would be gone in just 40 days.



We're firm believers that markets seek balance. In those areas and price ranges where inventory is very low, we've seen the return of multiple offers, and those multiple offers bring rising prices. Rising prices will eventually bring more sellers back to the market. But that's going to take time, so expect low inventory to prevail for at least the next several months.

The other piece of the story is affordability. With 30-year fixed rate mortgage rates continuing well below 4%, the principal and interest payment for a median-priced home is 40% lower than it was in October 2005. And that payment is also less than the median rented price for a home in Montgomery County. We continue to believe that this is a uniquely great opportunity for buyers to lock in at these historically low interest rates precisely at the time home prices are beginning to rise.

So what's ahead for the Montgomery County real estate market? We expect to see steady improvement in the market over the next several months – a modest rebound in inventory as buyers continue to return to the market. But there is one major caveat: the 'fiscal cliff.' We're writing this in late November, right as Congress is heading into its lame duck session. If Congress and the White House can't reach an agreement to either postpone or avoid the expiration of the Bush-era tax cuts and the automatic sequestration of $1.2 trillion in federal spending, then all bets are off for this market. It could mean a significant loss in federal jobs, and we could see the regional unemployment rate could jump a full percent virtually overnight. People who don't have jobs don't buy houses. We hope and trust that cooler heads will prevail.

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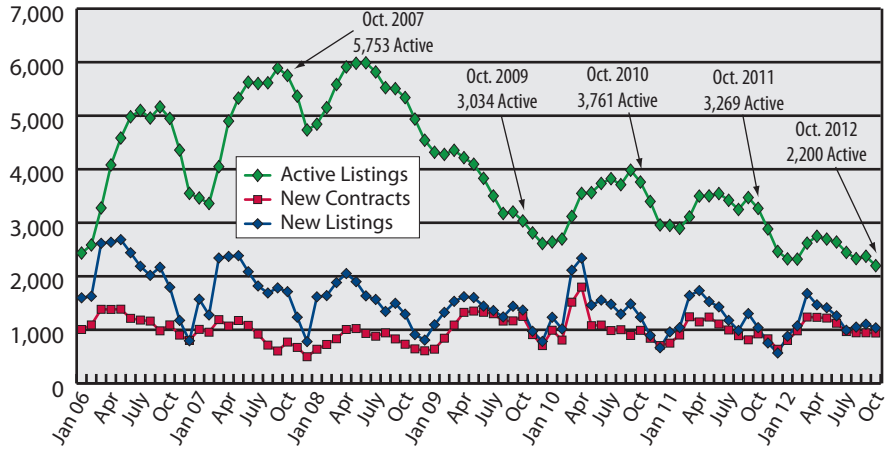
Preferred Lender
George Mason Mortgage, LLC®
A Subsidiary of Cardinal Bank

NUMBER OF NEW LISTINGS, NEW CONTRACTS, AND ACTIVE LISTINGS

Montgomery County - January 2006-October 2012

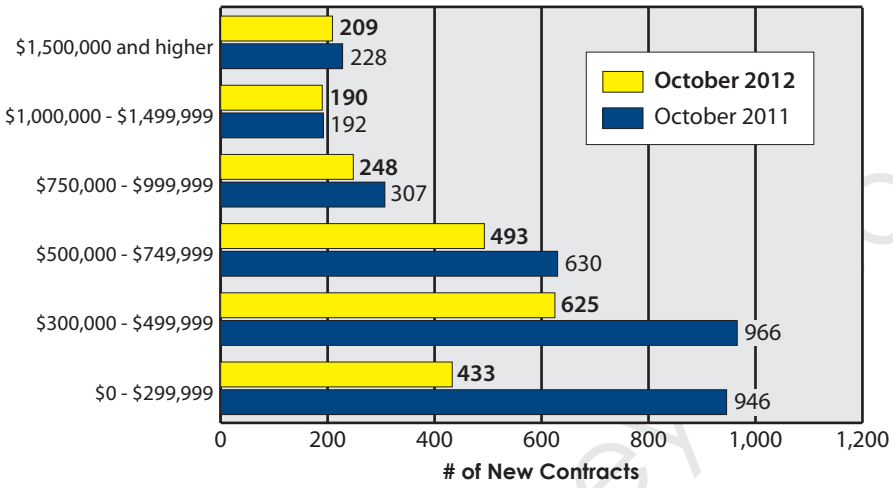


NEW LISTINGS, NEW CONTRACTS, AND ACTIVE LISTINGS

- That green line tells the story – listing inventory has dropped in a big way.
- Increasing contract activity has certainly contributed to a much tighter market, but not nearly as much as the drop in inventory.
- As mentioned above, inventory is half the market average during the past 7 years, and it's even 33% lower than it was this time last year.

FULLY AVAILABLE LISTINGS

Montgomery County - October 31, 2011 vs. October 31, 2012 by Price Range

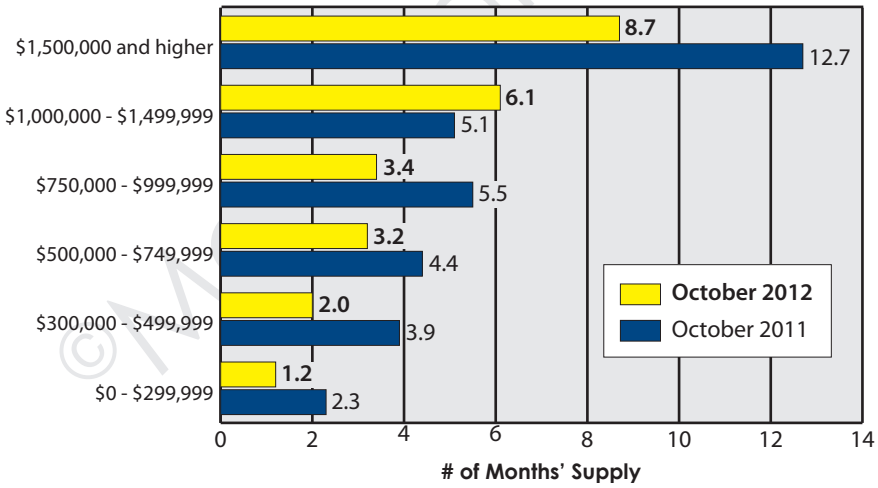


FULLY AVAILABLE LISTINGS

- And while inventory is way down, it's clear that's there has been little change in available listings in the higher price categories – it's homes priced less than $750,000 that have seen the big drops.
- The number of homes on the market priced at $750,000 and higher is just 11% less than this time last year.
- Total inventory under $750,000 is down 39%, and inventory under $300,000 is 55% lower than it was last October, and that makes it tough for first-time buyers to find what they're looking for.

MONTHS' SUPPLY

Montgomery County - End of October 2011 vs. End of October 2012 by Price Range



MONTHS' SUPPLY

- The overall supply of homes on the market at the end of October was just 2.3 months, down from 3.5 months at the end of October 2011.
- There's a 36-day supply of homes priced less than $300,000, and just a 60-day supply for homes priced between $300K and $500K.
- Supply is considerably lower in all but one price range – homes priced between $1,000,000 and $1,500,000.

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