

TIME TO RE-STOCK



If a retailer had this little inventory to sell, they'd swear someone had been shoplifting! To keep the doors open, they'd have to re-stock their shelves with saleable merchandise, and that's exactly what needs to happen in Loudoun County's real estate market.

In our last issue of MarketWatch, we focused on the opportunity for buyers because of historically low interest rates. But we believe there's an even bigger opportunity for potential sellers because there are so few listings on the market.

Here's one narrow example of the acute shortage: at the end of December, there were **5 townhouses priced between \$200,000 and \$300,000 on the market in Ashburn**. At the end of May, there were 18. We recognize that inventory is always lower in the middle of winter than it is in the spring, but this isn't just seasonal. Inventory is down 19% from this same time last year, and there was a 6% drop in the number of new listings coming on the market in December as well. In the past six months, **75** Ashburn townhomes in that \$200-\$300k price range went under contract, so the demand is clearly there, but right now there's nothing to buy. When there's plenty of demand and little or no supply, prices are going to rise. That's just a simple economic fact of life.

Anyone who is thinking about selling their home in the next year or two should really consider doing it now. This includes would-be sellers who purchased at the top of the market and think they don't have equity. A couple of caveats: every submarket is different; the time still has to be right for your personal circumstances, and given the low inventory, finding your next house could be a bit of a challenge. Nonetheless, we know there are plenty of sellers who are in for a pleasant financial surprise in the next few months. If moving up or moving out is in your agenda, give us a call and we can help you craft a strategy to accomplish your real estate goals.

So what's in store for the Loudoun County's real estate market over the next few months? We know the low-inventory issue isn't going to be solved overnight, so expect that supply will remain very tight in significant portions of the County through at least the first six months of 2013. The Fed has made it clear that they intend to keep interest rates low, and while we know that they can't stay under 4% forever, they should stay there for another six months as well.

So what's really ahead is more of the same: a healthy market with tight supply, low rates and rising prices. But – and there's always a but - we're still keeping a watchful eye on the sequestration and budget ceiling negotiations. Some defense contractors have already started job layoffs given the uncertain situation, and folks don't buy houses when they're out of work. The nation's economy - and the region's housing market - remains vulnerable if Congress and the White House can't find a long-term solution.

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 detached homes priced between \$300,000 and \$499,999 in December 2012 was 32.7%, indicating that almost one third of the homes on the market for this category of homes went under contract in December. That compares to a rate of 23.6% in December 2011, and the increase means the market was better in 2012 for that type of home. If the absorption rate was less in 2012 than in 2011, we have put the more recent absorption rate in **red**. This month there was **improvement for 12 of 14 individual price categories** with activity, and 1 remained the same.

Condo/Co-op	December 2011			December 2012		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 & under	75	35	31.8%	56	37	39.8%
\$300,000 - \$499,999	18	5	21.7%	34	15	30.6%
\$500,000 - \$749,999	4	0	0.0%	4	1	20.0%
\$750,000 - \$999,999	0	0	-	0	0	-
\$1,000,000 - \$1,499,999	0	0	-	0	0	-
\$1,500,000 & higher	0	0	-	0	0	-
Grand Total:	97	40	29.2%	94	53	36.1%

ABSORPTION RATES – CONDOS AND CO-OPS

- The overall absorption rate for condos and co-ops for December 2012 was 36.1%, up from the 29.2% rate in December 2011.
- Safe to say the market for condos priced more than \$500,000 is very, very thin for both listings and sales.

Fee Simple Attached	December 2011			December 2012		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 & under	55	37	40.2%	17	32	65.3%
\$300,000 - \$499,999	202	84	29.4%	145	117	44.7%
\$500,000 - \$749,999	19	2	9.5%	20	6	23.1%
\$750,000 - \$999,999	2	0	0.0%	0	1	100.0%
\$1,000,000 - \$1,499,999	2	0	0.0%	2	0	0.0%
\$1,500,000 & higher	0	0	-	0	0	-
Grand Total:	280	123	30.5%	184	156	45.9%

ABSORPTION RATES – ATTACHED HOMES

- The overall absorption rate for attached homes for December 2012 was 45.9%, up from Dec. 2011's 30.5%.
- With an absorption rate of 65.3%, it is a great time to be a seller of a townhome priced less than \$300,000!

Fee Simple Detached	December 2011			December 2012		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 & under	60	27	31.0%	25	22	46.8%
\$300,000 - \$499,999	210	65	23.6%	146	71	32.7%
\$500,000 - \$749,999	389	71	15.5%	350	82	19.0%
\$750,000 - \$999,999	97	11	10.2%	98	22	18.3%
\$1,000,000 - \$1,499,999	54	6	10.0%	48	5	9.4%
\$1,500,000 & higher	65	1	1.5%	73	1	1.4%
Grand Total:	872	181	17.2%	740	203	21.5%

ABSORPTION RATES – DETACHED HOMES

- December 2012's absorption rate for detached homes was 21.5%, an increase from the 17.2% rate from December 2011.
- And as we have seen in the other property types, the absorption rates are higher for the lower-priced categories.



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