McEnearney Realtors® Associates

Market Watch

Northern Virginia
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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 Northern Virginia'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: one of our great McEnearney agents was working with a buyer during the first week of January looking for a townhouse in Arlington around $600,000. And there weren't any. In fact, there were **no townhouses priced between $500,000 and $750,000 on the market in all of Arlington County**. At the end of May, there were 15. 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 34% from this same time last year, and there was an 11% drop in the number of new listings coming on the market in December as well. In the past six months, **50** townhouses in that $500-$750k 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 on 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 Northern Virginia 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 Northern Virginia 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 $500,000-$749,999 in December 2012 was 34.2%. That compares to a rate of 22.7% 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 16 of 18 price categories**.

Condo/Co-op	December 2011			December 2012		
Absorption Rates	Listings	Contracts	Rate	Listings	Contracts	Rate
$299,999 & under	445	269	37.7%	254	188	**42.5%**
$300,000 - $499,999	258	64	19.9%	117	88	**42.9%**
$500,000 - $749,999	60	16	21.1%	42	19	**31.1%**
$750,000 - $999,999	17	2	10.5%	13	5	**27.8%**
$1,000,000 - $1,499,999	17	0	0.0%	11	2	**15.4%**
$1,500,000 & higher	8	1	11.1%	11	0	**0.0%**
Grand Total:	**805**	**352**	**30.4%**	**448**	**302**	**40.3%**

ABSORPTION RATES – CONDOS AND CO-OPS

- The overall absorption rate for condos and co-ops for December 2012 was **40.3%**, an increase from the 30.4% rate in December 2011.
- Look at the dramatic difference in listing inventory – 448 in December 2012 vs 805 in December 2011.

Fee Simple Attached	December 2011			December 2012		
Absorption Rates	Listings	Contracts	Rate	Listings	Contracts	Rate
$299,999 & under	128	112	46.7%	34	69	**67.0%**
$300,000 - $499,999	274	145	34.6%	156	171	**52.3%**
$500,000 - $749,999	124	41	24.8%	58	52	**47.3%**
$750,000 - $999,999	30	11	26.8%	34	8	**19.0%**
$1,000,000 - $1,499,999	12	1	7.7%	20	5	**20.0%**
$1,500,000 & higher	11	0	0.0%	6	1	**14.3%**
Grand Total:	**579**	**310**	**34.9%**	**308**	**306**	**49.8%**

ABSORPTION RATES – ATTACHED HOMES

- The overall absorption rate for attached homes in December 2012 was **49.8%**, an increase from the 34.9% rate in December 2011.
- Again, the big difference in inventory: just 308 at the end of December 2012 vs 579 in December 2011.

Fee Simple Detached	December 2011			December 2012		
Absorption Rates	Listings	Contracts	Rate	Listings	Contracts	Rate
$299,999 & under	32	33	50.8%	7	19	**73.1%**
$300,000 - $499,999	410	186	31.2%	223	162	**42.1%**
$500,000 - $749,999	539	158	22.7%	363	189	**34.2%**
$750,000 - $999,999	279	57	17.0%	224	65	**22.5%**
$1,000,000 - $1,499,999	248	23	8.5%	243	42	**14.7%**
$1,500,000 & higher	280	15	5.1%	272	21	**7.2%**
Grand Total:	**1788**	**472**	**20.9%**	**1332**	**498**	**27.2%**

ABSORPTION RATES – DETACHED HOMES

- December 2012's absorption rate for detached homes was 27.2%, an increase from the 20.9% rate in December 2011.
- Inventory under $300K is virtually non-existent because prices have gone up.