

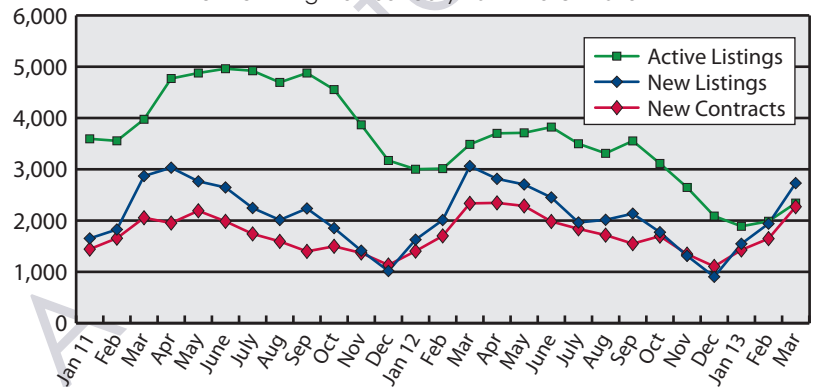
## CONVERGENCE

The dictionary says that “convergence” is the act of coming together from different directions – and that is exactly what is happening with three key indicators in the Northern Virginia real estate market.

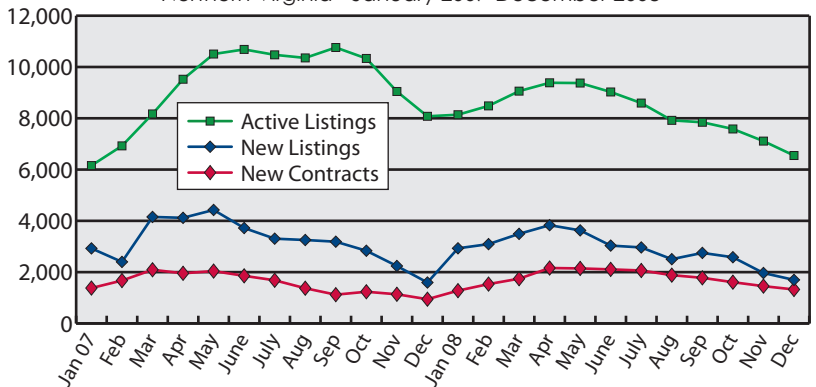
In the first quarter of 2013, we've seen the number of new contracts, new listings, and fully available inventory converge. A specific example: in March, there were 2,270 new contracts, 2,730 new listings, and just 2,341 listings on the market at the end of the month. Two short years ago in March 2011, there were twice as many available listings and 50% more new listings than new contracts.

It's a tight market in most price ranges right now, and we haven't seen these indicators so closely aligned since the peak of the market in 2004. It's so tight that there has actually been an 8% drop in contract activity year-to-date for homes priced less than \$500,000. There simply isn't enough inventory – just a three-week supply – to support the level of demand. But the upper brackets, while still a small slice of the market, are doing well. There's been a 22% jump in contract activity through the first three months of the year for homes priced more than \$750,000.

**NUMBER OF NEW LISTINGS, NEW CONTRACTS, & ACTIVE LISTINGS**  
Northern Virginia - January 2011-March 2013



**NUMBER OF NEW LISTINGS, NEW CONTRACTS, & ACTIVE LISTINGS**  
Northern Virginia - January 2007-December 2008

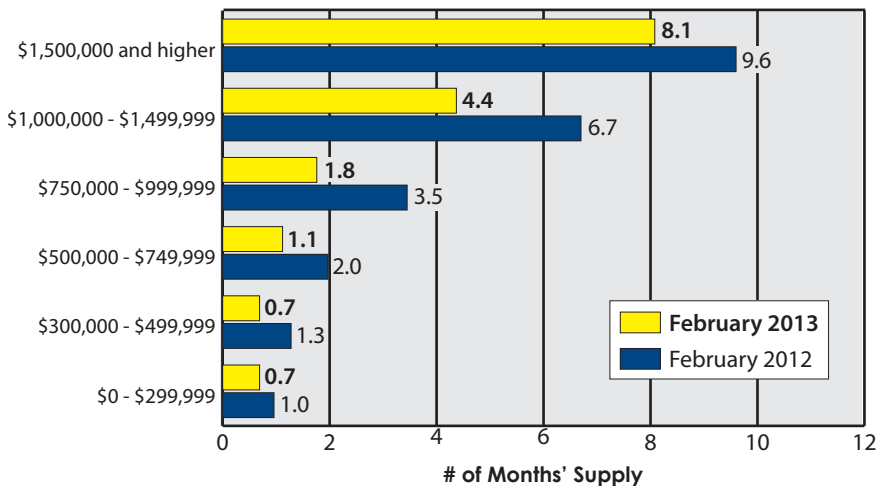


To give you an idea about how dramatically the market has changed, the second chart at right shows the same three indicators from January 2007 through the end of 2008. The number of active listings was as much as nine times the number of new contracts, and the number of new listings coming on the market was typically double the number of new contracts.

Low inventory continues to drive the market, with 35% fewer homes on the market right now than this time last year. We see more of the same in the months ahead. Thus far, there's no discernible negative impact from sequestration, and there's no reason to think that the low inventory situation is going to change anytime soon. Homebuyers below \$500,000 are going to find it particularly challenging to find what they're looking for.

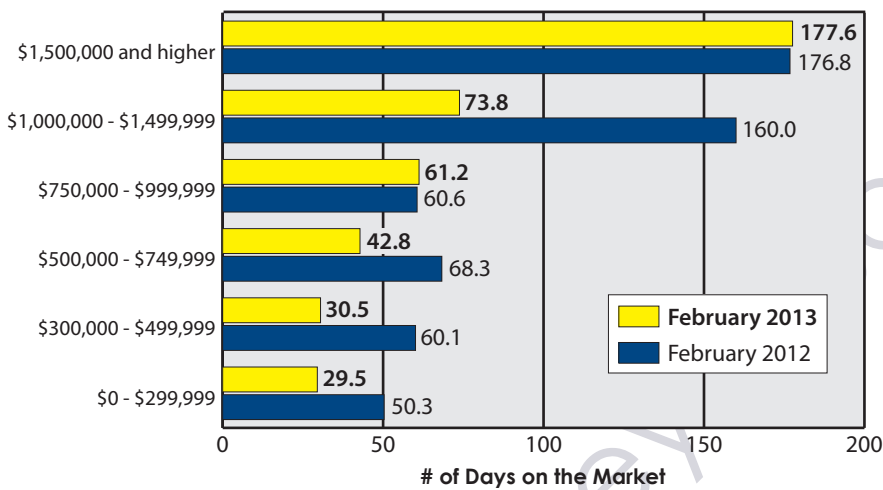
## MONTHS' SUPPLY

Northern Virginia - End of February 2012 vs. End of February 2013 by Price Range



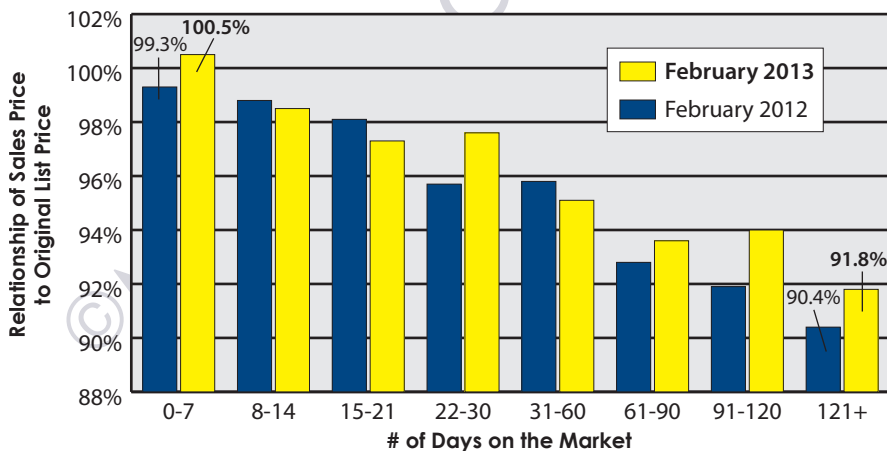
## AVERAGE NUMBER OF DAYS ON THE MARKET

Northern Virginia - February 2012 vs. February 2013 - New Contracts



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

Northern Virginia - February 2012 vs. February 2013 - Resale Properties Sold



## MONTHS' SUPPLY

- The overall supply of homes on the market at the end of February was **1.2 months**, down from 1.8 months at the end of February 2012.
- There's was a **21-day** supply of homes priced less than \$500,000!
- Remember that the low supply relative to last year for homes priced less than \$500,000 is due entirely to the drop in inventory, not because of an increase in contracts.

## AVERAGE NUMBER OF DAYS ON THE MARKET

- The average number of days on the market for homes receiving contracts in February was down for four price categories and barely changed for the other two.
- With so little inventory, listings priced less than \$500,000 are selling in just about half the time as last year.
- The average number of days on the market for all homes receiving contracts in February 2013 was **41**, **down 35.9%** from 64 days in February 2012.

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

- As we have noted in this space for **years**, initial pricing strategy is critical to the success of sellers, even in this tight market.
- Homes settling in February 2013 that received contracts their first week on the market sold, on average, **for 0.5% above list**. Those that took 4 months or longer to sell sold for **8.2% below original list price**.



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