



THAT WAS THEN. THIS IS NOW.

To many, the current market conditions bear an eerie resemblance to the feeding frenzy of the market boom of 2004 to 2006: low inventory, multiple offers, escalation clauses, waiver of important contingencies and rapidly rising prices. And that prompts fear of a bubble burst somewhere down the road.

There's no doubt the market is much improved, and the overall supply of homes hasn't been this tight in nine years. But there are important differences.

THEN: The market was powered by a strong economy, rising incomes and public policy that was geared to encourage home ownership. As home prices rose faster than the rate of increase in household income, mortgage programs were created to offer "teaser" rates to bring payments down (for a short time) for those who couldn't afford market interest rates. Of course, that dramatically expanded the number of eligible buyers, keeping both demand and prices artificially high. And those rapidly rising prices fueled a market based largely on speculation. With back-to-back years of 20%+ home price appreciation, everyone wanted in on the act, with little concern about mortgage payments that would jump to prohibitively high levels in a couple of years. After all, at that point one could either refinance or just cash out. But the market collapsed when the pool of buyers who could afford even those unrealistic mortgages ran out.

NOW: The "juice" for today's market comes largely from the pent-up demand created by conditions in recent years, not because of a booming economy. Folks are appropriately more cautious, especially with the tempering impact of sequestration. To a large extent people are moving because they have a need for housing, not because the lure of making a quick buck. Prices are rising, but not at the break-neck pace we saw in the last hot market. Interest rates aren't going lower because they are already at historic lows, and the Federal Reserve has recently given signals that it will slow the pace or even stop the \$30 - \$40 billion monthly bond purchases that have helped keep interest rates low. As a consequence, the pool of eligible buyers will grow only as the economy grows. Investors have certainly returned to the market and prices are rising, but not at the break-neck pace of the last market. And while multiple offers and escalation clauses are common in the hottest areas, it isn't hot everywhere. Location, price and condition actually matter now.

Those homes in areas closest to major employment centers and great transportation are faring better. In the last month, homes that sold within a half mile of the Bethesda were on the market an average of just 8 days, and sold for an average of 1% above list price. In May 2004, the average was 9 days, but homes sold for an average 10% above list. In Germantown last month, homes were on the market an average of 30 days and sold 3% under list price. But in May 2004, they sold in an average of just 9 days and for 1% above list.

The real estate market in Montgomery County is very healthy, but – fortunately – it's not the same as last time.

BETHESDA

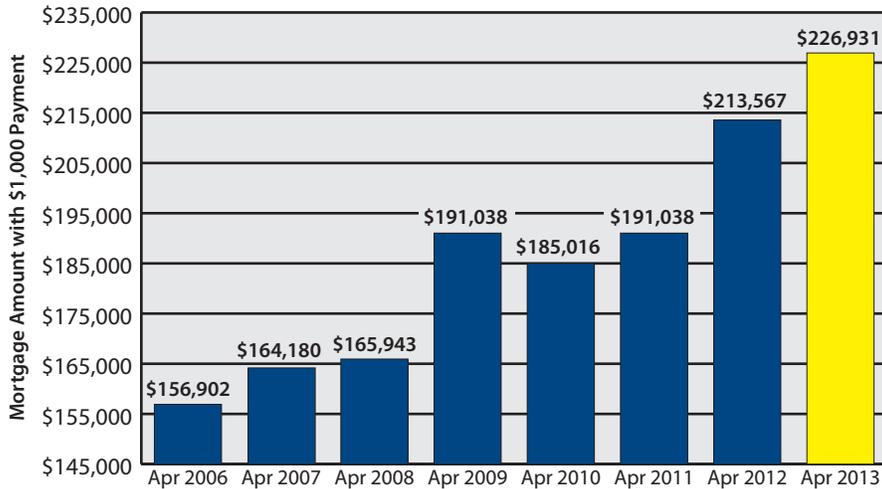
Date	Avg. Days on the Market	Avg. Sales Price to List Price
May 2004	9	110%
May 2013	8	101%

GERMANTOWN

Date	Avg. Days on the Market	Avg. Sales Price to List Price
May 2004	9	101%
May 2013	30	97%

BUYING POWER

Mortgage Amount with \$1,000 Payment

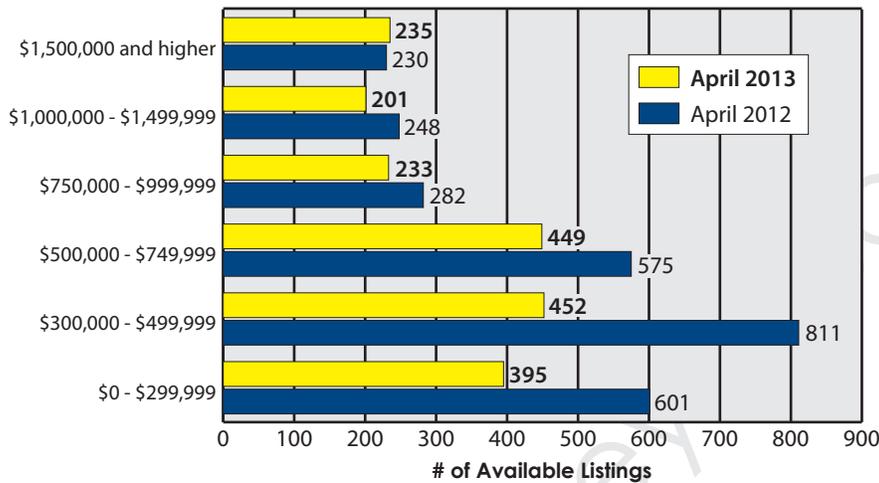


BUYING POWER

- A \$1,000 principal and interest payment supported a loan of \$226,931 at the end of April which is **\$13,364 more** than this time last year, and \$70,029 more than April 2006.
- And in April 2006, it would have taken a monthly PI payment of \$2,760 to purchase a median priced home. With today's lower prices, combined with lower rates, it takes a payment of \$1,774 – **that's a 35.7% drop.**

FULLY AVAILABLE LISTINGS

Montgomery County - April 30, 2012 vs. April 30, 2013 by Price Range

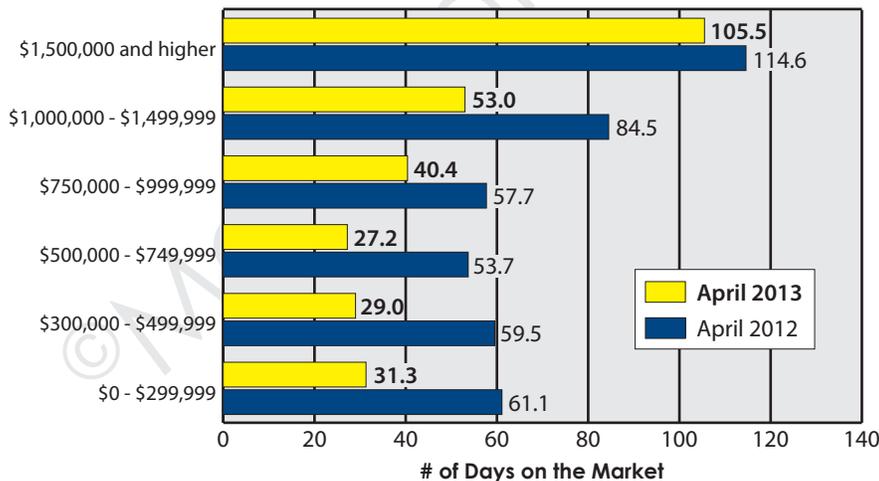


FULLY AVAILABLE LISTINGS

- Overall inventory **decreased 28.5%** in April 2013 compared to last April. Inventory of homes priced less than \$500,000 is down 40.0%.
- Only one price category saw an increase.
- **28.1%** of all homes on the market have had at least one price reduction since coming on the market. This time last year, 35.7% of all homes on the market had at least one price reduction.

AVERAGE NUMBER OF DAYS ON THE MARKET

Montgomery County - April 2012 vs. April 2013 - New Contracts



AVERAGE NUMBER OF DAYS ON THE MARKET

- The average number of days on the market for homes receiving contracts in April was down for all price categories.
- Overall, the average number of days on the market for all homes receiving contracts in April 2013 was **34 days, down 44.3%** from 61 days in April 2012.



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