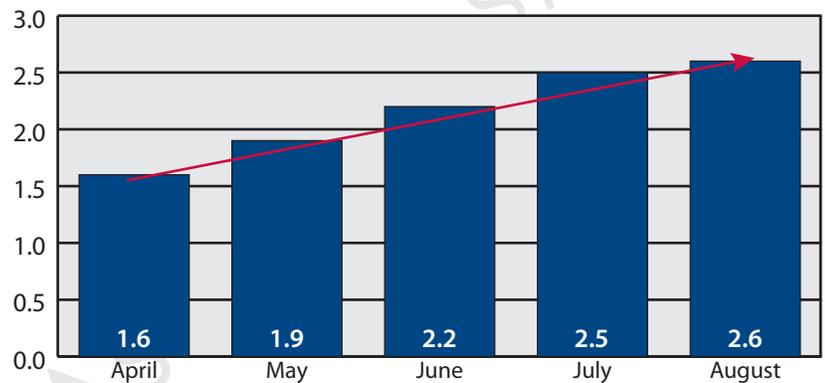


### A FEW MORE CHOICES

Perhaps the biggest factor in the Loudoun County real estate market during the past 18 months is the paltry number of listings on the market. Not only has there been low inventory, but month after month fewer new listings were coming on the market. With limited choices for purchasers, prices in most price ranges have climbed.

Well, it's funny how markets work. Those higher prices have tempted more sellers to take a stab at getting their homes sold. In the past five months, 22% more listings came on the market than during the same time period last year. That doesn't mean there's been a huge shift, but it's at least noticeable. There was 1.6 months of inventory on the market at the end of April, and that has inched up a bit month after month to 2.6 months' supply now. It's still a tight market, but there are a few more choices for buyers than in the spring.

**MONTHS' SUPPLY**  
Loudoun County – April-August 2013



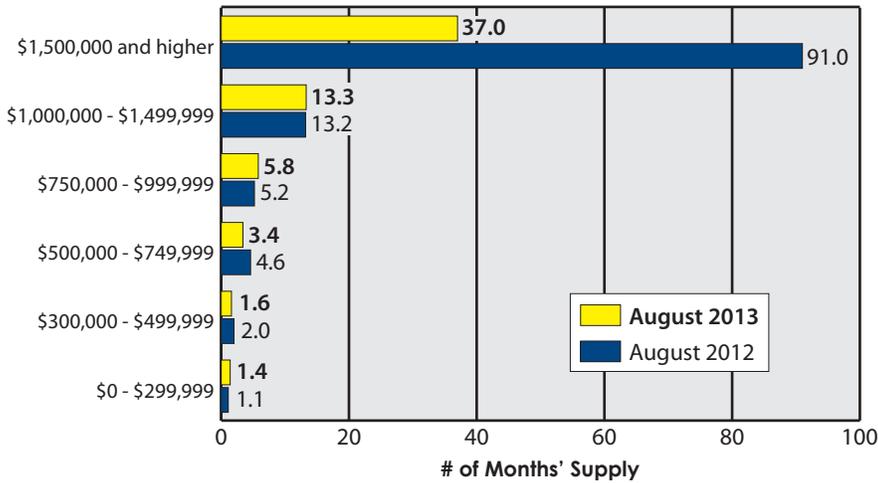
So what does that mean? It's really Economics 101. On the supply side, we have seen this modest increase in inventory. On the demand side, we've seen an increase in mortgage interest rates – up a full point over the past five months. That represents a loss of more than 13% in buying power and that, coupled with the lingering impact of sequestration, is serving to keep the number of buyers in the market a bit less than it was earlier in the year. And this will ease – but not reverse – the significant upward pressure on home prices we have seen this year.

Make no mistake: this modest increase in listings and modest decrease in buyers isn't turning this into a buyers' market. Any way you look at it, a 2.6-month supply of homes tilts the odds in the favor of sellers. We're still seeing multiple offers and escalation clauses in the hottest neighborhoods and price ranges – just not as frequently as earlier in the year. And remember that market pressures are not the same for every type of property and in every neighborhood. As the Months' Supply chart on the next page indicates, there is a 1.6-month supply of homes priced less than \$500,000, and a 3-year supply for homes priced more than \$1,500,000. And the seller of a detached home in Purcellville isn't going to see as many prospective purchasers as a seller of a townhouse in Ashburn.

What we see is a market slowly returning to normal. But for now, most sellers continue to have the upper hand.

## MONTHS' SUPPLY

Loudoun County - End of August 2012 vs. End of August 2013 by Price Range

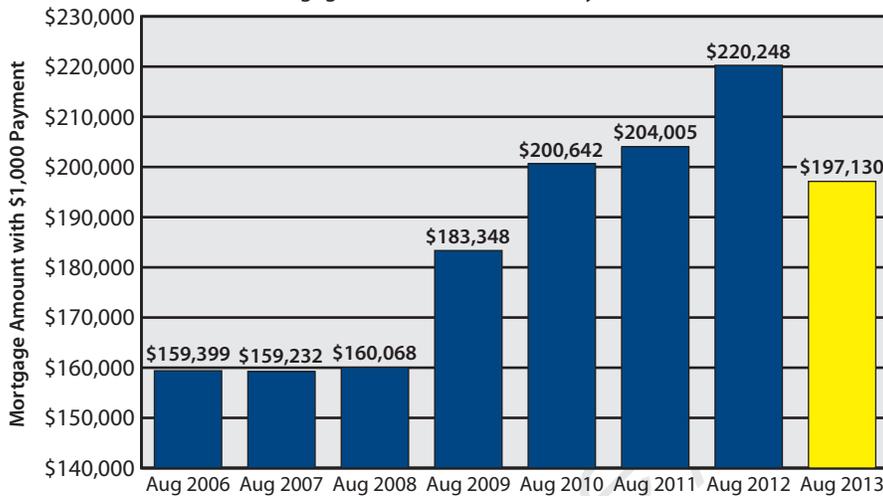


## MONTHS' SUPPLY

- Although overall supply is 2.6 months, it is considerably tighter for homes priced less than \$500,000 at just 1.6 months or less.
- And as noted above, there is ample supply for upper brackets homes, with just over a year for homes priced between \$1,000,000 and \$1,499,999, and over three years for homes priced more than \$1,500,000.

## BUYING POWER

Mortgage Amount with \$1,000 Payment

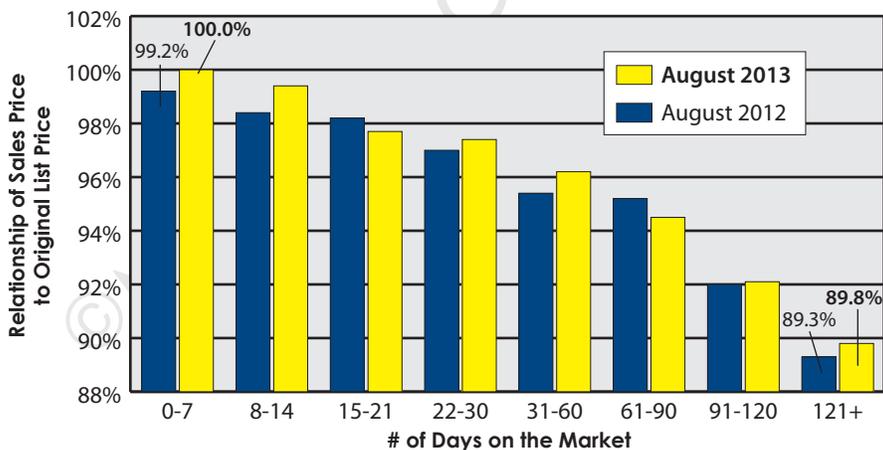


## BUYING POWER

- A \$1,000 principal and interest payment supported a loan of \$197,130 at the end of August which is **\$23,118 less** than this time last year.
- That's a 10% drop, but the drop is even more significant since April when mortgage interest rates reached a low of 3.35%. Buying power now is 13% less that it was during the peak of the spring market.
- Even with this loss in buying power, rates are still extremely attractive.

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

Loudoun County - August 2012 vs. August 2013 - Resale Properties Sold



## 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.
- More often than not, sellers who price it right are rewarded with a quick sale close to list price.
- But even in this sellers' market, there are listings that languish and take a deeper discount to list – or don't sell at all.



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