

### **RESILIENT**

The best way to describe Loudoun County's housing market is resilient. Webster's defines resilient as able to become strong, healthy, or successful again after something bad happens, and holy cow, we wouldn't have to look real far to find some bad things that have happened during the past few months.

Let's see – we had sequestration in the spring. The Federal Reserve has toyed all year with ending their quantitative easing policies that have kept interest rates low, frequently giving mixed signals to the market. More recently, we've seen the government shutdown, and tens of thousands of federal workers were laid off and didn't know when they'd be going back to work or when they'd be paid – and the businesses that depended on those workers suffered as well. We witnessed the continuing battles over whether or how to extend the debt ceiling, and even more recently, we've seen the distraction of the launch of the Health Care Exchange created by the Affordable Care Act.

Now to be sure, every single one of these items has impact nationally, but that impact is felt disproportionately in our region, and even more so in the Virginia suburbs. So it wouldn't have been surprising if Loudoun's housing market took a bit of a breather.

But that hasn't really happened. It's absolutely true that Loudoun has lagged behind the rest of the immediate metro area, but we're still holding up pretty well. Contract activity during the past two months is off slightly less than 4% compared to the same two months last year. 10% more new listings have come on the market, demonstrating confidence by an increasing number of sellers, but total available inventory is only 6% higher now than it was at the end of last October. The average number of days a home is on the market before receiving a contract in down by 20%. The average sales price is up almost 6%, and the overall supply of homes is slightly more than 3 months. Taken as a whole, those are indications of a pretty healthy market.

### During the past two months:

| Contract Activity   | Down 3.8%     |
|---------------------|---------------|
| New Listings        | <b>Up 10%</b> |
| Available Inventory | <b>Up 6</b> % |
| Days on Market      | Down 20%      |
| Average Sales Price | Up 5.9%       |
| Total Supply        | 3.4 months    |

Now we're not trying to sugarcoat some challenges the market will face. We've just entered what is historically the slowest time of the year – November through January. Eventually the Fed is going to have to stop buying tens of billions of dollars of mortgage backed securities every month, and when that happens, interest rates will rise – and that will price some folks out of the market. And perhaps the biggest challenge Loudoun will face is that the significant majority of new household formation is occurring in closer-in, more urban areas. But the fundamentals are strong, and we remain convinced we're headed to a balanced, sustainable housing market in Loudoun County.

#### 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 attached homes priced between \$300,000 and \$499,999 in October 2013 was 36.3%. That compares to a rate of 33.5% in October 2012, and the increase means the market was better in 2013 for that type of home. If the absorption rate was less in 2013 than in 2012, we have put the more recent absorption rate in red. This month there was improvement for just 3 of 14 individual price categories with activity, and 2 remained the same.

| Condo/Co-op               | October 2012 |           |       | October 2013 |           |       |
|---------------------------|--------------|-----------|-------|--------------|-----------|-------|
| Absorption Rates          | Listings     | Contracts | Rate  | Listings     | Contracts | Rate  |
| \$299,999 & under         | 72           | 53        | 42.4% | 62           | 43        | 41.0% |
| \$300,000 - \$499,999     | 33           | 15        | 31.3% | 70           | 19        | 21.3% |
| \$500,000 - \$749,999     | 5            | 4         | 44.4% | 5            | 1         | 16.7% |
| \$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:              | 110          | 72        | 39.6% | 137          | 63        | 31.5% |

# ABSORPTION RATES – CONDOS AND CO-OPS

- The overall absorption rate for condos and co-ops for October 2013 was **31.5%**, down from the 39.6% rate in October 2012.
- Safe to say the market for condos priced more than \$500,000 is virtually non-existent.

| Fee Simple Attached       | October 2012 |           |       | October 2013 |           |       |
|---------------------------|--------------|-----------|-------|--------------|-----------|-------|
| Absorption Rates          | Listings     | Contracts | Rate  | Listings     | Contracts | Rate  |
| \$299,999 & under         | 30           | 44        | 59.5% | 29           | 24        | 45.3% |
| \$300,000 - \$499,999     | 232          | 117       | 33.5% | 225          | 128       | 36.3% |
| \$500,000 - \$749,999     | 24           | 3         | 11.1% | 36           | 6         | 14.3% |
| \$750,000 - \$999,999     | 2            | 0         | 0.0%  | 6            | 0         | 0.0%  |
| \$1,000,000 - \$1,499,999 | 2            | 0         | 0.0%  | 5            | 0         | 0.0%  |
| \$1,500,000 & higher      | 0            | 0         | _     | 0            | 0         | _     |
| Grand Total:              | 290          | 164       | 36.1% | 301          | 158       | 34.4% |

| <b>ABSORPTION</b> | RATES - | <b>ATTACHED</b> |
|-------------------|---------|-----------------|
| HOMES             |         |                 |

- The overall absorption rate for attached homes for October 2013 was 34.4%, down from October 2012's 36.1%.
- With an absorption rate of 45.3%, it is still a good time to be a seller of a townhome priced less than \$300,000!

| Fee Simple Detached       | October 2012 |           |       | October 2013 |           |       |
|---------------------------|--------------|-----------|-------|--------------|-----------|-------|
| Absorption Rates          | Listings     | Contracts | Rate  | Listings     | Contracts | Rate  |
| \$299,999 & under         | 29           | 18        | 38.3% | 25           | 15        | 37.5% |
| \$300,000 - \$499,999     | 192          | 82        | 29.9% | 192          | 66        | 25.6% |
| \$500,000 - \$749,999     | 447          | 117       | 20.7% | 469          | 83        | 15.0% |
| \$750,000 - \$999,999     | 129          | 22        | 14.6% | 176          | 28        | 13.7% |
| \$1,000,000 - \$1,499,999 | 63           | 5         | 7.4%  | 65           | 9         | 12.2% |
| \$1,500,000 & higher      | 88           | 4         | 4.3%  | 71           | 1         | 1.4%  |
| Grand Total:              | 948          | 248       | 20.7% | 998          | 202       | 16.8% |

## ABSORPTION RATES – DETACHED HOMES

- October 2013's absorption rate for detached homes was 16.8%, a decrease from the 20.7% rate from Oct. 2012.
- And as we have seen in the other property types, the absorption rates are higher for the lower-priced categories.



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