McEnearney Realtors® Associates

Market Watch

Washington, DC

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RESILIENT

The best way to describe Washington, DC'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. So it wouldn't have been surprising if Washington's housing market took a bit of a breather.

But it didn't. As a whole, the DC metro area has fared well during the past couple of months – and the District's market has fared best of all. Contract activity has increased almost 11%. 24% more new listings have come on the market, demonstrating confidence by an increasing number of sellers. And despite the big jump in new listings, inventory is actually 2% lower 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 one third. The average sales price is up almost 4%, and the overall supply of homes is less than 2 months. All in all, those are indications of a very healthy market.

During the past two months:	
Contract Activity	Up 11%
New Listings	Up 24%
Available Inventory	Down 2%
Days on Market	Down 33%
Average Sales Price	Up 4%
Total Supply	2 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. Also, the budget and debt ceiling battles are far from over, and it isn't a stretch to think we'll see more bitter battles between Congress and the White House ahead. But the fundamentals are strong, and we remain convinced we're headed to a balanced, sustainable housing market in Washington, DC.

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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 condos/co-ops priced $500,000-$749,999 in October 2013 was 39.3%; that compares to a rate of 29.6% 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 9 of the 18 individual price categories**.

Condo/Co-op	October 2012			October 2013		
Absorption Rates	Listings	Contracts	Rate	Listings	Contracts	Rate
$299,999 & under	255	109	29.9%	215	104	**32.6%**
$300,000 - $499,999	223	114	33.8%	209	147	**41.3%**
$500,000 - $749,999	138	58	29.6%	147	95	**39.3%**
$750,000 - $999,999	36	8	18.2%	44	17	**27.9%**
$1,000,000 - $1,499,999	28	8	22.2%	35	8	**18.6%**
$1,500,000 & higher	40	4	9.1%	39	1	**2.5%**
Grand Total:	**720**	**301**	**29.5%**	**689**	**372**	**35.1%**

ABSORPTION RATES – CONDOS AND CO-OPS

- The overall absorption rate for condos and co-ops for October was **35.1%**, an increase from the 29.5% rate in October 2012.
- The absorption rate for condos across most price ranges is more balanced in DC than anywhere else in the region.

Fee Simple Attached	October 2012			October 2013		
Absorption Rates	Listings	Contracts	Rate	Listings	Contracts	Rate
$299,999 & under	134	90	40.2%	84	63	**42.9%**
$300,000 - $499,999	74	71	49.0%	76	89	**53.9%**
$500,000 - $749,999	78	62	44.3%	120	91	**43.1%**
$750,000 - $999,999	42	33	44.0%	62	42	**40.4%**
$1,000,000 - $1,499,999	37	14	27.5%	41	15	**26.8%**
$1,500,000 & higher	53	7	11.7%	37	15	**28.8%**
Grand Total:	**418**	**277**	**39.9%**	**420**	**315**	**42.9%**

ABSORPTION RATES – ATTACHED HOMES

- The overall absorption rate for attached homes for October was **42.9%**, which was an increase from 39.9% October 2012.
- Again, look at the balance across most price ranges.

Fee Simple Detached	October 2012			October 2013		
Absorption Rates	Listings	Contracts	Rate	Listings	Contracts	Rate
$299,999 & under	66	23	25.8%	30	27	**47.4%**
$300,000 - $499,999	33	24	42.1%	48	20	**29.4%**
$500,000 - $749,999	20	14	41.2%	50	22	**30.6%**
$750,000 - $999,999	24	33	57.9%	25	32	**56.1%**
$1,000,000 - $1,499,999	35	10	22.2%	21	16	**43.2%**
$1,500,000 & higher	82	15	15.5%	81	10	**11.0%**
Grand Total:	**260**	**119**	**31.4%**	**255**	**127**	**33.2%**

ABSORPTION RATES – DETACHED HOMES

- October 2013's absorption rate for detached homes was **33.2%**, an increase from 31.4% in October 2012.
- And the balance among the price ranges is evident here as well.

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