



RESILIENT

The best way to describe Montgomery 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. So it wouldn't have been surprising if Montgomery County'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 Montgomery County's performed better than any jurisdiction in the area other than the District. Contract activity has increased almost 7%. 30% more new listings have come on the market, demonstrating confidence by an increasing number of sellers. And despite the fact that more new listings have come on the market, inventory is only 11% 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 is down by 20%. The average sales price is up almost 7%, and the overall supply of homes is slightly more than 2 months. All in all, those are indications of a very healthy market.

During the past two months:	
Contract Activity	Up 7%
New Listings	Up 30%
Available Inventory	Up 11%
Days on Market	Down 20%
Average Sales Price	Up 7%
Total Supply	2.3 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 Montgomery 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 detached homes priced between \$300,000 and \$499,999 in October 2013 was 34.2%; that compares to a rate of 32.5% in October 2012, and the increase means the market was better in 2012 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 11 of 18 individual categories**, and 2 remained the same.

Condo/Co-op	October 2012			October 2013		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 & under	273	162	37.2%	333	192	36.6%
\$300,000 - \$499,999	94	42	30.9%	126	55	30.4%
\$500,000 - \$749,999	28	13	31.7%	28	14	33.3%
\$750,000 - \$999,999	3	0	0.0%	13	4	23.5%
\$1,000,000 - \$1,499,999	5	1	16.7%	3	0	0.0%
\$1,500,000 & higher	3	1	25.0%	0	3	100.0%
Grand Total:	406	219	35.0%	503	268	34.8%

ABSORPTION RATES – CONDOS AND CO-OPS

- The overall absorption rate for condos and co-ops for October 2013 was **34.8%**, a slight decrease from the 35.0% rate in October 2012.

Fee Simple Attached	October 2012			October 2013		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 & under	101	115	53.2%	179	117	39.5%
\$300,000 - \$499,999	110	65	37.1%	150	79	34.5%
\$500,000 - \$749,999	40	29	42.0%	62	26	29.5%
\$750,000 - \$999,999	7	3	30.0%	6	6	50.0%
\$1,000,000 - \$1,499,999	10	1	9.1%	20	2	9.1%
\$1,500,000 & higher	1	0	0.0%	1	0	0.0%
Grand Total:	269	213	44.2%	418	230	38.5%

ABSORPTION RATES – ATTACHED HOMES

- The overall absorption rate for attached homes for October 2013 was **35.5%**, down from the 44.2% rate in October 2012.

Fee Simple Detached	October 2012			October 2013		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 & under	59	70	54.3%	43	58	57.4%
\$300,000 - \$499,999	421	203	32.5%	444	231	34.2%
\$500,000 - \$749,999	425	113	21.0%	394	138	25.9%
\$750,000 - \$999,999	238	70	22.7%	229	69	23.2%
\$1,000,000 - \$1,499,999	175	29	14.2%	203	44	17.8%
\$1,500,000 & higher	205	23	10.1%	217	26	10.7%
Grand Total:	1523	508	25.0%	1530	566	27.0%

ABSORPTION RATES – DETACHED HOMES

- October 2013's absorption rate for detached homes was **27.0%**, up from 25.0% rate of October 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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