McEnearney ASSOCIATES REALTORS®

Market Watch

Washington, DC

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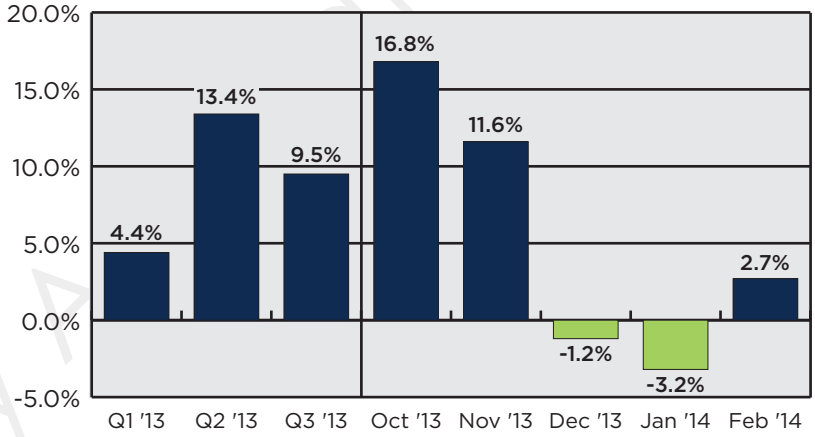
Is the Market Slower Because of the Weather – or Something Else?

A recent profile on CNBC described the impact of our unusually cold and snowy winter as "frozenomics," and there are plenty of industries and cities that have been crippled by the nasty stuff we had this year. We've all heard about 36-hour traffic jams in the south, and every school system in our region exhausted their supply of built-in snow days so kids will be in school well into summer. Planes were grounded, power outages were rampant, and we all added "polar vortex" to our vocabulary.

And while there is no doubt that the region's real estate market felt the chill, Washington, DC's market held up far better than any other in the region.

DC was the only market in the entire metro area that had an increase in new contract activity in every quarter of 2013 compared to the same quarter of 2012. But the market started to slow ever-so-slight in December with a decrease in contract activity of a little more than 1%. That was followed by a 3% drop in January. However, as a testament to the strength of DC's market, contract activity actually increased by 2.7%, the month with the worst weather this winter.

PERCENTAGE CHANGE IN NEW CONTRACT ACTIVITY
Compared to the Same Period the Previous Year
Washington, DC



The market is a little slower in DC for reasons beyond the weather. Rising mortgage interest rates have robbed purchasers of roughly 10% of their buying power compared to a year ago, and that has priced some first-time home buyers out of the market and lowered the price point for others. Home prices are rising faster than household income, and that puts a bit of a chill on demand as well.

The brief government shutdown in October and budget sequestration created some uncertainty in major employment sectors. And even though the number of available homes on the market is up a bit, supply is still tight. And here's the irony about tight supply – at least in the short term, it helps keep some inventory off the market. There are homeowners who would like to be move-up buyers but they are still sitting on the sidelines because they aren't confident they can find their next home. And if they aren't sure they can purchase, they aren't putting their homes on the market.

This isn't all bad news by any means. Home prices are still going up, just not as rapidly as they did in mid-2013. Homes are still selling in an average of about fifty days, and there is still only about a two-month supply of homes on the market. But those other factors are creating just what we expected: moderation that is heading us in the direction of a more balanced market.

Equal Housing Opportunity

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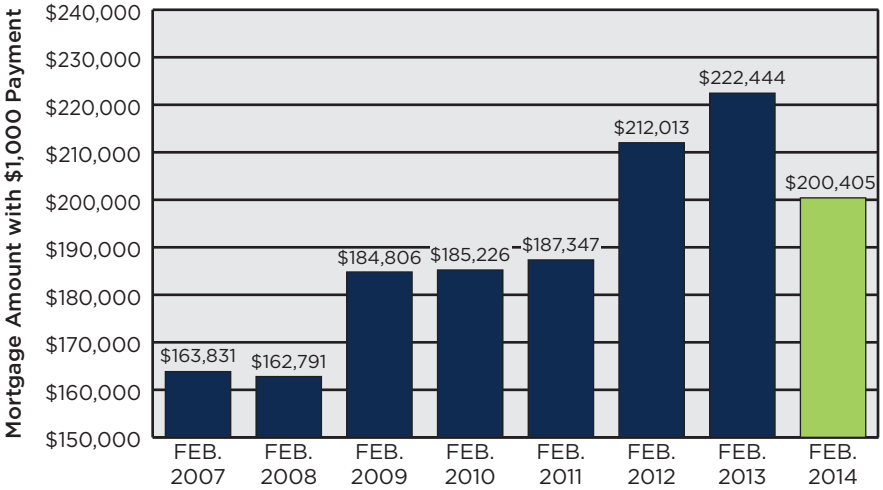
GEORGE MASON MORTGAGE, LLC®
A Subsidiary of Cardinal Bank

BUYING POWER

Mortgage Amount with $1,000 Payment

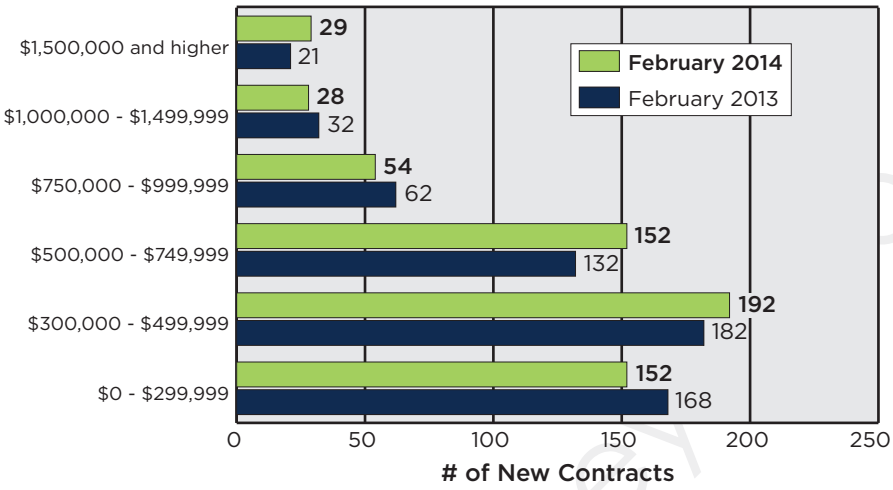


BUYING POWER

- A $1,000 principal and interest payment supported a loan of $200,405 at the end of February which is **$20,041** less than this time last year, and almost $12,000 less than February 2012.
- While mortgage rates are still very low from an historical perspective, they are roughly a full percentage point higher than this time last year, reducing buying power by about 10%.

NEW CONTRACT ACTIVITY

Washington, DC - Feb. 2013 vs. Feb. 2014 by Price Range

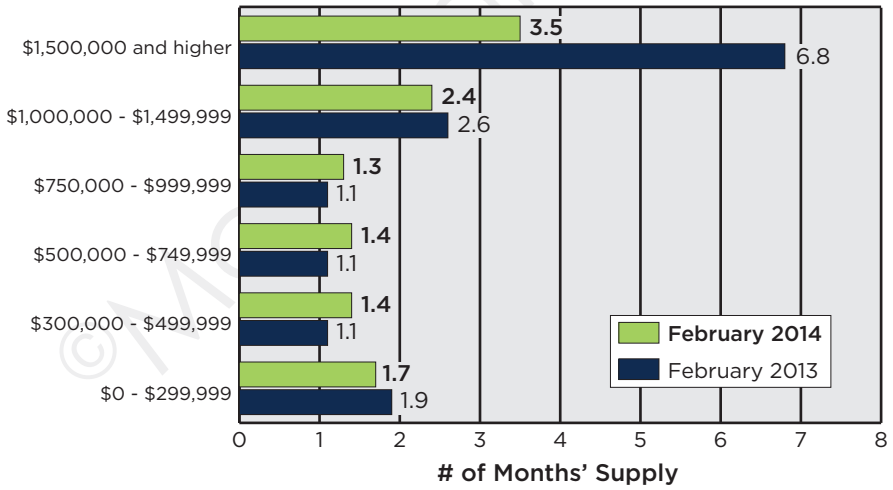


NEW CONTRACT ACTIVITY

- The number of new contracts ratified in February 2014 was **up 2.7%** from February 2013, and DC was the only jurisdiction in the region with an increase.
- Contract activity year-to-date is **down 0.8%**.
- **22.4%** of all homes going under contract in February had at least one price reduction.
- **61.6%** of all homes that went under contract in February were on the market 30 days or less; this time last year it was 65.2%.

MONTHS' SUPPLY

Washington, DC - End of Feb. 2013 vs. End of Feb. 2014 by Price Range



MONTHS' SUPPLY

- The overall supply of homes on the market at the end of February was **1.6 months**, **exactly the same** as at the end of February 2013, and that's the lowest supply in the metro area.
- In addition to the lowest overall supply, DC has the most balanced supply in the region across all price categories.

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