

HOW'S THE MARKET?

One of the questions we get asked most frequently is “How’s the market?” The simple answer is that the market in Metro DC is strong. Prices are going up and sales are steady. And that’s all true – but it’s also fairly meaningless when you get right down to it. The real question is “How’s the market for me?”

Think of it this way: if someone asked how the stock market is doing, it would be accurate to say it’s doing very well. The Dow Jones average has hit record highs, and it has been on a solid, upward path for several years after bottoming out in 2007. Sounds a lot like the real estate market. But someone who has owned Radio Shack stock – currently trading for less than one dollar after being at \$20 five years ago – will have a slightly different perspective on how the market is doing than someone who has owned Apple, Google or Disney shares.

Fortunately, we don’t see such wild swings in value in the real estate market, and homes rarely become worthless. But there are significant differences in our local marketplace. Let’s look at months’ supply of inventory as an example. This number tells you how many months it would take for all homes currently available on the market to sell, given the current pace of new contracts.

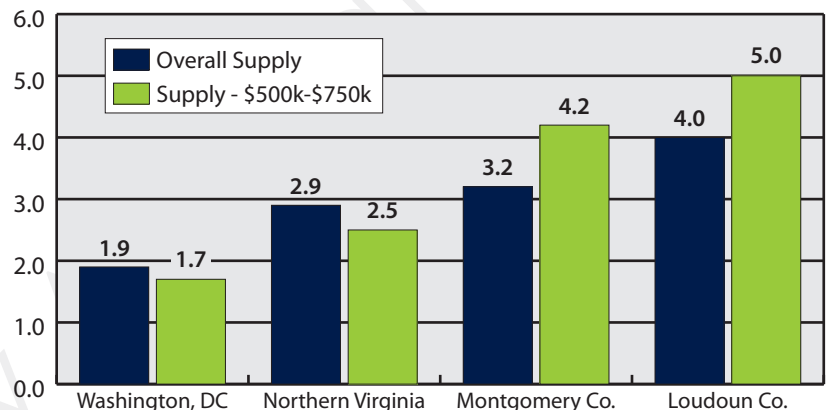
The overall supply of homes in Washington, DC is less than two months, and in some price ranges it is considerably tighter. DC’s sweet spot – homes priced between \$500,000 and \$750,000 – is 1.7 months. At the other end of the local spectrum

is Loudoun County, where there is a four-month supply. In that same \$500,000 to \$750,000 price range, there is a five-month supply. While both of these markets would be considered healthy by any historical standard, DC is a seller’s market while Loudoun’s is balanced. Conditions in Northern Virginia and suburban Maryland also differ from Loudoun and DC, with an overall supply of 2.9 months and 3.2 months respectively.

We are also frequently asked whether prices are going up or down. For all of 2014, the average sales price was up 2.7% for Metro DC compared to 2013. But once again, let’s take a look at the differences in all jurisdictions. While DC was up 5.2%, Loudoun County was up 4%, Northern Virginia rose 2%, and Montgomery County was up just 0.8%. And we want to add a cautionary note. Remember that the “average sales price” is just an arithmetic calculation and isn’t indicative of what is happening to individual properties. Let’s go back to those examples. One of the challenges in DC is that many first-time buyers are being priced out of the market, so there have been fewer lower-end sales. When there is a reduction in the number of lower-priced sales, by definition, the average sales price will go up. On the flip side, there has been an increase in lower-priced sales in Montgomery County, so that reduces the average sale down. That doesn’t mean that prices aren’t going up faster in DC – it just means that it may be a bit overstated.

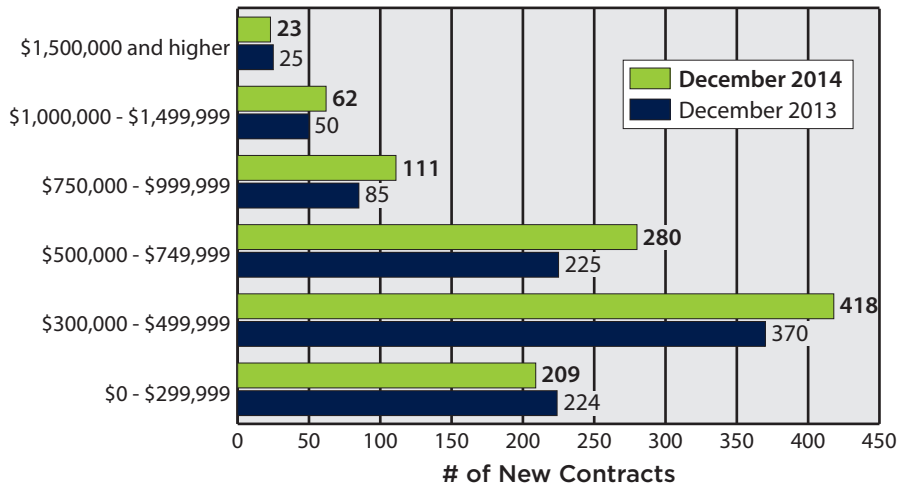
Our point is simply this: market conditions can be captured by a few key stats, but those numbers do not directly relate to what is going on in a specific neighborhood, a specific type of property or a particular price range. To understand what’s going on with an individual property, one cannot rely on broad market indicators. It takes an evaluation by a knowledgeable REALTOR® who can look at the factors unique to that home.

MONTHS’ SUPPLY - DECEMBER 2014



NEW CONTRACT ACTIVITY

Northern Virginia - December 2013 vs. December 2014



NEW CONTRACT ACTIVITY

- The number of new contracts ratified in December 2014 was **up 12.7%** from the number of contracts ratified in December 2013, but was down for the lowest and highest price categories.
- Contract activity for the year was **down 7.9%**.
- 42.1%** of all homes going under contract in December 2014 had at least one price reduction before going under contract.

FULLY AVAILABLE LISTINGS

Northern Virginia - December 31, 2013 vs. December 31, 2014

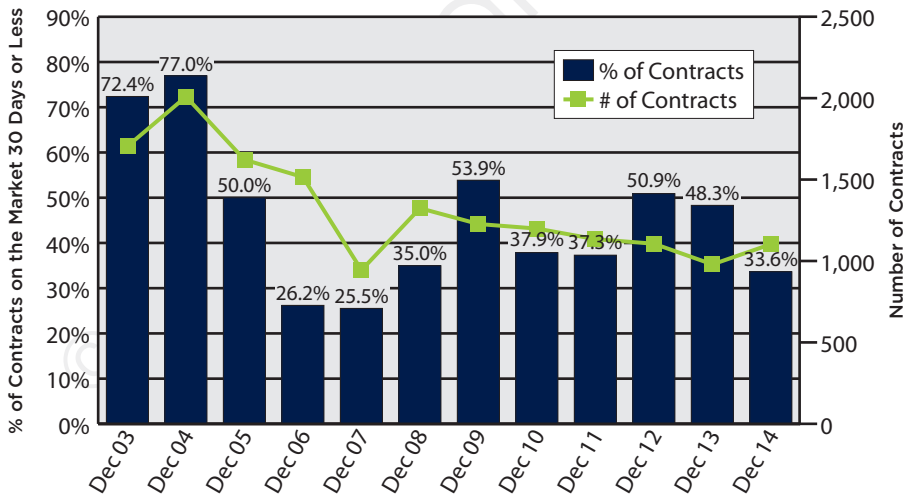


FULLY AVAILABLE LISTINGS

- The month-end inventory **increased 29.1%** in December 2014 compared to December 2013 – and there was an increase of 8.2% in the number of homes coming on the market.
- Inventory is up significantly in all six price categories.
- 42.1%** of all homes on the market have had at least one price reduction since coming on the market.
- This time last year, 37.4% of all homes on the market had at least one price reduction.

URGENCY INDEX

Northern Virginia - December 2003-2014



URGENCY INDEX

- During the past 12 years, the Urgency Index has been as high as 77.0% and as low as 25.5%.
- The average December Urgency Index in Northern Virginia during that time is 45.7% - higher than where we are today.
- There was a 12.7% **increase** in the number of new contracts this December compared to last – but the Urgency Index **dropped** from 48.3% to 33.6%.



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