McEnearney Associates REALTORS®

Market Watch

Loudoun County

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A SOLID – BUT UNEVEN - RECOVERY

2015 has been a recovery year for the real estate market in metropolitan Washington, DC, with every jurisdiction seeing an increase in contract activity compared to last year. Some areas are faring better than others, and we have taken a deeper look at how different today's market is than the real estate boom a decade ago.

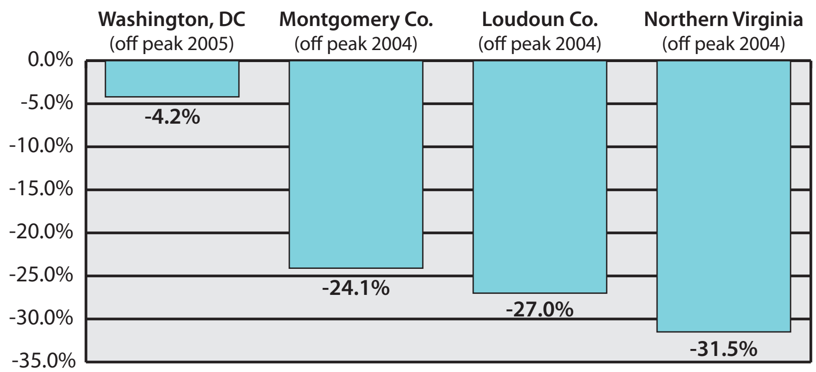
The significant market expansion that occurred from the early 2000s through 2005 or 2006 started out on a very firm foundation of an expanding national economy with demand being driven by rising incomes and significant household formation. This may be a bit of an over simplification, but we all know the story of how that expansion was artificially extended by risky mortgage programs that brought millions of purchasers to the market who ultimately couldn't afford to make payments when their interest rates rose and prices started to fall. A bust followed that boom, and it has taken the better part of 8 years to climb out of the deep trench.

We're fortunate that today's recovery isn't like the boom – it has been slower, mirroring the slow pace of the national economy returning to health. And there are no "funny money" mortgages this time around to artificially create demand. In general, people are buying or selling because they need to. Another big difference is where people are buying.

A decade ago, the Northern Virginia suburbs were on fire, in no small part due to the boom in defense spending. The entire region benefited from that, but Northern Virginia especially so. Among the four jurisdictions we track most closely – Northern Virginia, Loudoun and Montgomery Counties and Washington, DC – almost 50% of home purchases in 2004 occurred in Northern Virginia. Montgomery County got about a quarter of all home sales, Loudoun was at 14% and DC was at 13%. So far this year, Northern Virginia's share has dropped to 44% while DC's has risen to 17%. At a quick glance, that may not seem like a lot, but that's a 32% increase in the size of DC's piece of the pie.

We compared contract activity for the first eight months of 2015 to the first eight months of the peak year of the last boom for each of four key areas. So far this year, The District is just 4.2% below the contract activity of its top year, 2005. The suburbs are still well off the peaks they experienced in 2004, with Montgomery County contract activity off 24.1%, Loudoun County off 27.0% and Northern Virginia off 31.5%. It's remarkable to know that The District is seeing almost as many homes go under contract as it did at the absolute top of the market a decade ago while the suburbs are not yet seeing a commensurate number of transactions.

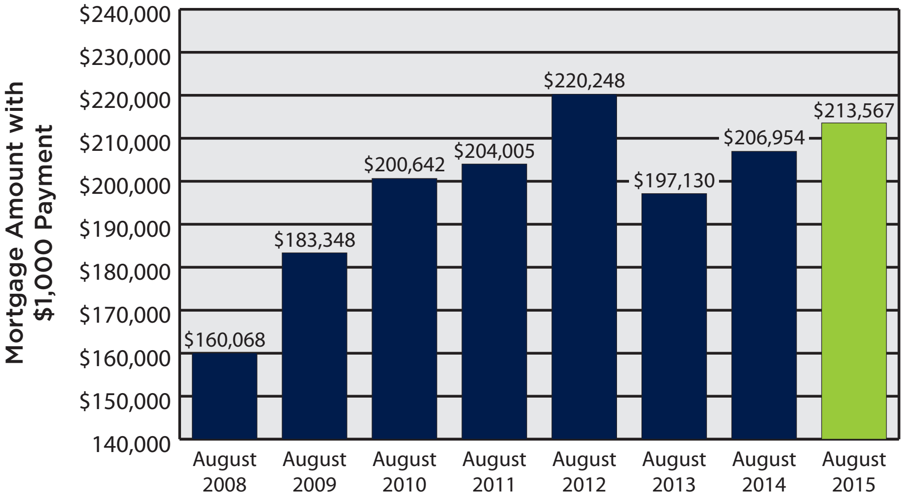
Year-to-date Contract Activity Compared to Peak Year



There isn't any one reason for Washington, DC's remarkable performance, but there is no doubt that suburban traffic congestion plays a role, as more people are willing to sacrifice the space of larger suburban homes for the convenience of being closer to work.

BUYING POWER

Mortgage Amount with $1,000 Payment

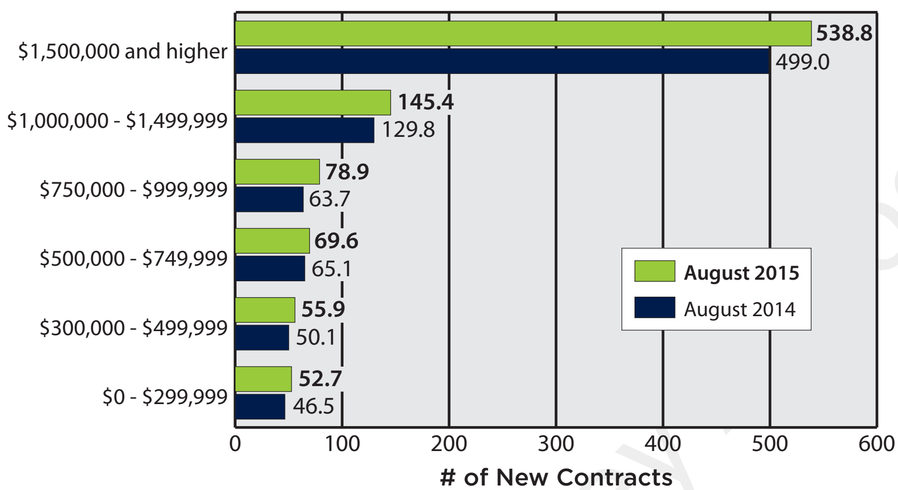


BUYING POWER

- A $1,000 principal and interest payment supported a loan of $213,567 at the end of August, which is **$6,613 more** than August 2014 and $53,499 more than August 2008.
- In August 2008, it would have taken a monthly PI payment of $2,155 to purchase a median-priced home in Loudoun County. With today's lower rates, it takes a payment of $2,013 - **that's a 6.6% drop**.

AVERAGE NUMBER OF DAYS ON MARKET

Loudoun County - August 2014 vs. August 2015 - New Contracts

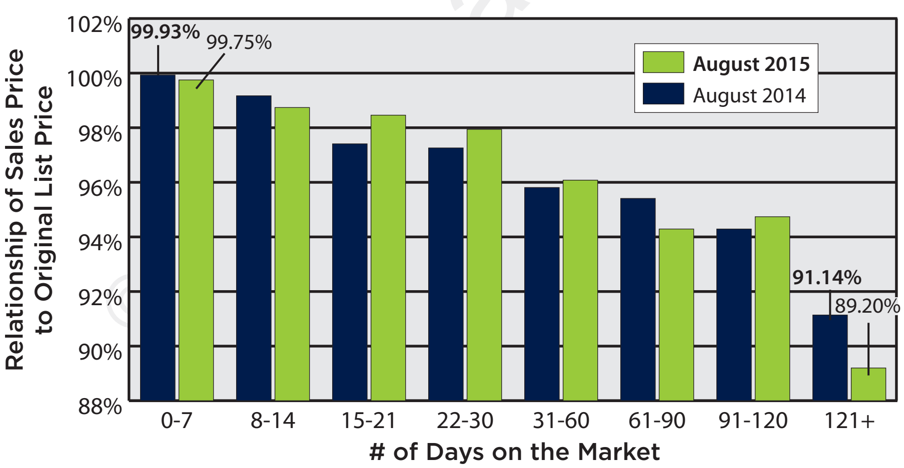


AVERAGE NUMBER OF DAYS ON THE MARKET – NEW CONTRACTS

- The average number of days on the market for all homes receiving contracts in August 2015 was **65 days**, which is a **14.0% increase** from 57 days in August 2014.
- Average days on the market in the metro area for August ranged from a low of 43 for DC to a high of 65 for Loudoun County.

RELATIONSHIP OF SALES PRICE TO ORIGINAL LIST PRICE vs. DAYS ON THE MARKET

Loudoun County - August 2014 vs. August 2015 - Resale Properties Sold



RELATIONSHIP OF SALES PRICE TO ORIGINAL PRICE vs. DAYS ON MARKET

- Initial pricing strategy is critical to the listing process, regardless of market conditions. The longer a home sits on the market, the deeper the discount to its original list price will likely be.
- Homes settling in August 2015 that received contracts their first week on the market sold, on average, **0.25% below** list. Those that took more than 120 days to sell sold **10.8% below** the original price.

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