McEnearney ASSOCIATES REALTORS®

Market Watch

Montgomery County

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GETTING IT RIGHT THE FIRST TIME

It is critically important to price a home correctly when it first comes on the market. The reason is simple: The greatest numbers of buyers are going to see the house during the first two or three weeks.

Sellers who price their home correctly are likely to be rewarded. Those who overreach, who think they can "just wait for the right buyer to come along," are likely to be disappointed. That usually means sitting on the market and taking a big hit financially.

We took a look at all resale homes that went to settlement in Montgomery County as well as the Metro DC area in October and November 2015 and broke them down into just two categories: Those that had to reduce their initial list price before receiving a ratified contract (homes with the "wrong" price); and those that came on the market at the "right" price and never had to drop their list price.

The consequences of pricing strategy were starkly different, as the tables below show. Homes that had to reduce their price before attracting a buyer in both areas were on the market an average of three times longer – an average of 100 days in Montgomery County and 98 days in metro DC, compared to correctly priced homes that sold in just 33 days in Montgomery County and 30 days in metro DC. Sellers of homes with the right initial price were less likely to pay any subsidy, and when they did, it was likely to be a smaller subsidy. In both cases, fewer than half of sellers of correctly priced homes had to pay a subsidy.

But the biggest impact of pricing strategy is on the final sales price. Homes that sold without having to reduce their price sold for an average of 97.9% of the list price in Montgomery County and 98.4% in the metro area. Those that came on the market too high had to reduce their price by 7.3% in Montgomery County and 6.2% in the metro area before a buyer was willing to make an offer. And when that offer came in, those sellers had to negotiate a further reduction, ultimately settling at an average of almost 11% below their original price in Montgomery and 10% below the original price in the metro areas.

So let's sum it up. Homes that hit the market at a price that attracts buyers are on the market an average of just one month and sell very close to list price. The wrong price means much longer time on the market and a very deep discount off the original price.

MONTGOMERY COUNTY Homes Settling in Oct. & Nov. 2015 (resale)	Homes with the "Right Price"	Homes with the "Wrong Price"
Average Days on Market	33.6	100.4
Percentage of Homes with Seller-Paid Subsidy	45.2%	54.7%
Avg. Seller-Paid Subsidy as % of Sales Price	0.71%	1.01%
Avg. Price Drop Before Receiving Contract	N/A	7.34%
Avg. Ratio of Net Sales Price to Original List Price	97.93%	89.05%

METROPOLITAN WASHINGTON, DC Homes Settling in Oct. & Nov. 2015 (resale)	Homes with the "Right Price"	Homes with the "Wrong Price"
Average Days on Market	30.1	98.1
Percentage of Homes with Seller-Paid Subsidy	43.6%	52.1%
Avg. Seller-Paid Subsidy as % of Sales Price	0.58%	0.75%
Avg. Price Drop Before Receiving Contract	N/A	6.20%
Avg. Ratio of Net Sales Price to Original List Price	98.40%	90.00%

Buyers will move forward on homes that are priced correctly, and they will take a pass on those that aren't. Getting the price right from the beginning is the most important thing a seller can do. It really is that simple.

Equal Housing Opportunity

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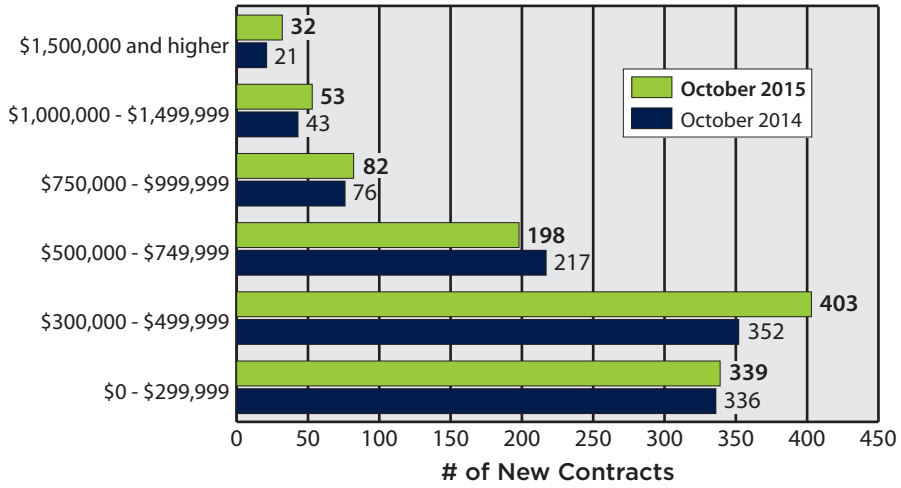
ATLANTIC COAST MORTGAGE, LLC

NEW CONTRACT ACTIVITY

Montgomery County - October 2014 vs. October 2015



NEW CONTRACT ACTIVITY

- The number of new contracts ratified in October 2015 was **up 5.9%** from the number of contracts ratified in October 2014, and there was improvement for all but one price category.
- Contract activity year-to-date is **up 11.8%**.
- **42.0%** of all homes going under contract in October 2015 had a price reduction before going under contract.

FULLY AVAILABLE LISTINGS

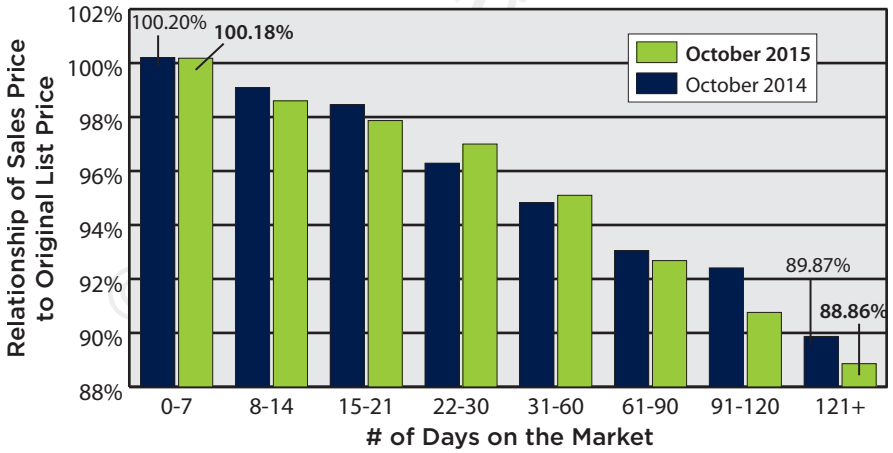
Montgomery County - October 31, 2014 vs. October 31, 2015

FULLY AVAILABLE LISTINGS

- Overall inventory **increased 2.2%** in October 2015 compared to last October.
- Inventory increased for four price categories.
- **47.1%** of all homes on the market have had at least one price reduction since coming on the market. In October 2014, 46.2% of all homes on the market had at least one price reduction.

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

Montgomery County - October 2014 vs. October 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 October 2015 that received contracts their first week on the market sold, on average, **0.18% above** list price. Those that took 4 months or longer to sell sold at **11.14% below** original list!

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