

A TALE OF THREE CITIES

With apologies to Charles Dickens, these are neither the best of times nor the worst of times for the Washington, DC metropolitan area real estate market. We'd like to take a little poetic license and discuss pricing trends in our area with "A Tale of Three Cities."

How much have home values changed during the past year? That's probably the question we're most often asked. Here's a direct answer: the average sales price in the metro DC area is up 1.2% from this time a year ago. And how does that relate to the value of your home? It doesn't. Market conditions vary from area to area, and we think the recent market activity in three "cities" illustrates this perfectly.

Chevy Chase is a close-in community that straddles both Maryland and Washington, DC. Great Falls, Virginia is a suburban oasis between McLean and bustling Loudoun County. Potomac, Maryland is home to large estates just 15 miles from downtown DC. All three communities have average sales prices just above \$1,000,000, and during the past decade all have had roughly comparable market metrics, with one exception. Those key indicators are: average days on market, the ratio of sales price to list price, the percentage of homes selling above list price, and the percentage of homes selling in a week or less. Taken together, think of these as **pricing dynamics**. The exception, by the way, is that Chevy Chase has always had shorter average days on the market than Potomac and Great Falls.

So far this year, the pricing dynamics in these three cities has shifted significantly, as the chart to the right indicates.

Year-to-Date 2016	Chevy Chase	Great Falls	Potomac
Average Days on Market	40	106	80
% Selling in 7 Days or Less	47%	19%	24%
Sales Price/Orig. List Price	98.10%	92.70%	87.30%
% Selling Above List Price	36%	5%	4%
Average Sales Price	+13.3%	-5.8%	-2.2%

There has been a clear change in consumer demand, as more than one-third of the buyers in Chevy Chase have been willing to pay above list price and almost half of the homes have gone under contract in a week or less. It's no wonder that there is upward pressure on prices. We're seeing the opposite effect in Great Falls and Potomac. Roughly one in 20 homes sells above list price and one in four sells in the first week on the market. The pricing dynamics in these communities have changed in ways that mirror what we're seeing elsewhere in the market. Demand has shifted more toward walkable communities convenient to employment centers and public transit.

We'd also like to make a note about "average" prices. The table above indicates that the average sales price in Chevy Chase is up 13.3% over the last year, and that's absolutely true. Keep in mind that this is an arithmetic computation that gives a general, very positive indication of the direction of the market, not the market **value** of an individual home.

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 \$500,000 and \$749,999 in June 2016 was 32.1%; that compares to a rate of 23.4% in June 2015, and the increase means the market was better in 2016 for that type of home. If the absorption rate was less in 2016 than in 2015, we have put the 2016 rate in **red**. This month there was **improvement for 11 of 18 individual categories**.

Condo/Co-op	June 2015			June 2016		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 & under	460	217	32.1%	405	223	35.5%
\$300,000 - \$499,999	187	65	25.8%	161	78	32.6%
\$500,000 - \$749,999	43	19	30.6%	61	18	22.8%
\$750,000 - \$999,999	7	1	12.5%	11	1	8.3%
\$1,000,000 - \$1,499,999	3	1	25.0%	11	0	0.0%
\$1,500,000 & higher	13	0	0.0%	13	5	27.8%
Grand Total:	713	303	29.8%	662	325	32.9%

ABSORPTION RATES - CONDOS AND CO-OPS

- The overall absorption rate for condos and co-ops for June 2016 was **32.9%**, an increase from the 29.8% rate in June 2015.

Fee Simple Attached	June 2015			June 2016		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 & under	207	126	37.8%	163	122	42.8%
\$300,000 - \$499,999	254	116	31.4%	219	118	35.0%
\$500,000 - \$749,999	87	33	27.5%	95	28	22.8%
\$750,000 - \$999,999	24	8	25.0%	20	8	28.6%
\$1,000,000 - \$1,499,999	16	1	5.9%	26	1	3.7%
\$1,500,000 & higher	7	0	0.0%	4	1	20.0%
Grand Total:	595	284	32.3%	527	278	34.5%

ABSORPTION RATES - ATTACHED HOMES

- The overall absorption rate for attached homes for June 2016 was **34.5%**, up from the 32.3% rate in June 2015.

Fee Simple Detached	June 2015			June 2016		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 & under	45	46	50.5%	25	36	59.0%
\$300,000 - \$499,999	627	294	31.9%	481	290	37.6%
\$500,000 - \$749,999	616	188	23.4%	518	245	32.1%
\$750,000 - \$999,999	314	104	24.9%	298	102	25.5%
\$1,000,000 - \$1,499,999	269	71	20.9%	283	61	17.7%
\$1,500,000 & higher	288	32	10.0%	275	24	8.0%
Grand Total:	2159	735	25.4%	1880	758	28.7%

ABSORPTION RATES - DETACHED HOMES

- June 2016's absorption rate for detached homes was **28.7%**, up from the 25.4% rate of June 2015.
- And as we have seen in the other property types, the absorption rates are higher for the lower-priced categories.



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