

No One Has All The Buyers

The Perils of “Off-market” Sales

The Washington metro area has a strong real estate market characterized by remarkably low inventory, so we’re a little puzzled by the frequency of “off market” listings – those listings that are not put in the multiple listing system (MLS). One may hear them referred to as private exclusives or pocket listings, but under either banner these are homes that are not exposed to the broadest possible market.

In a market where buyers are clamoring for choices, why would a seller intentionally choose to do that?

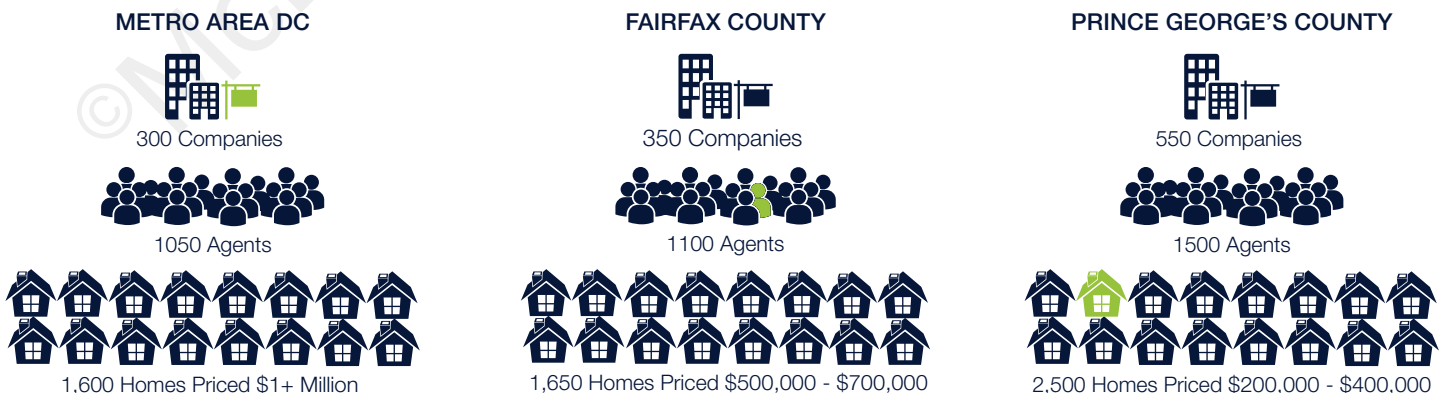
There are some perfectly legitimate reasons – convenience, security, privacy – and sellers should get to make those choices. But as with any marketing strategy, there are winners and losers, pros and cons.

When a property is sold by word of mouth, or can only be shown by the listing agent or agents with their company, or simply not marketed in a way that every buyer has a shot at seeing, the seller may be able to get a quick, no fuss sale. If that’s the seller’s objective, so be it. But a “private exclusive” listing – by definition – excludes people.

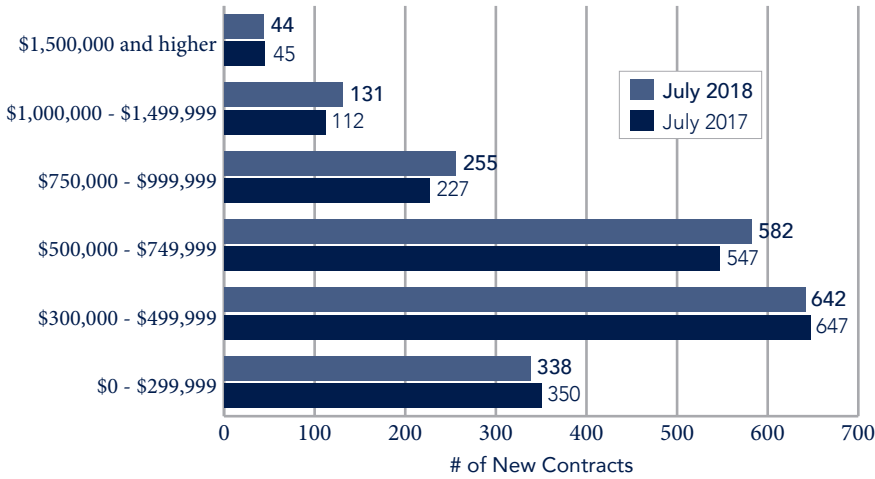
When supply is tight, does it really make sense to restrict the demand - the number of people who have an opportunity to buy? Because that’s really what these “off-market” listings do. They limit the pool of purchasers. Sellers run the risk of missing a better offer. If the “off market” listing strategy is so wise, let’s take it to its logical conclusion: if every seller and listing agent decided to restrict the availability of their listing, wouldn’t everyone be hurt? Buyers would have nowhere to turn for ready access to every home on the market, and sellers would not have access to all the buyers.

Sellers might be attracted to an agent’s “pitch” that they or their company have the buyer for their home. But here’s the reality: no agent, no company has all the buyers, or even most of the buyers. We see these “off market” listings a bit more often in the luxury market where some may perceive that there are dominant players. In the first four months of this year, there have been just over 1,600 homes sold in the metro area in the MLS for \$1,000,000 or more. There were 1,050 different agents from over 300 different companies who brought the buyers to those homes. But is the luxury market all that different? So far this year in Fairfax County, there have been 1,650 homes sold in the MLS between \$500,000 and \$700,000. Over 1,100 different agents from 350 companies represented the buyers of those homes. In Prince George’s County, 2,500 homes have sold between \$200,000 and \$400,000, and there have been over 1,500 different agents from 550 different companies.

Before a seller decides to sell their home “off-market,” perhaps the most important question to ask is this: “How many buyers do I want to miss?”



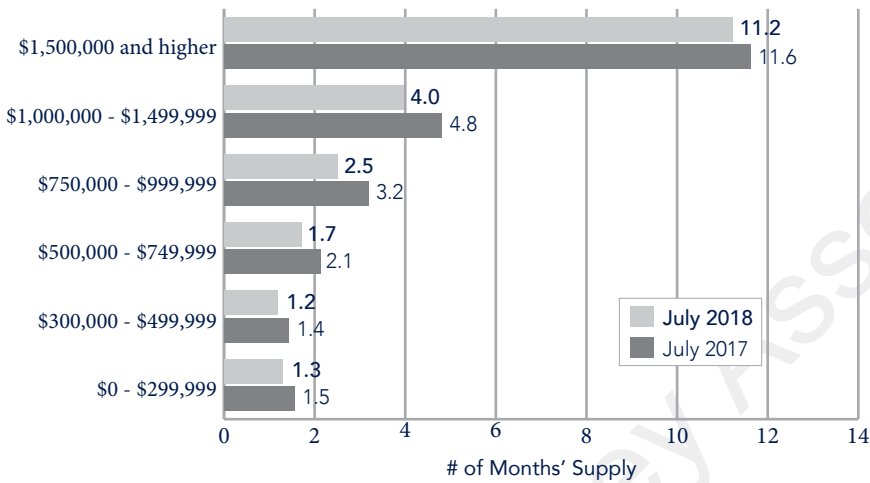
NEW CONTRACT ACTIVITY Northern Virginia



New Contract Activity

- The overall number of new contracts ratified in July 2018 was **up 3.3%** from the number of contracts ratified in July 2017, and there were increases for three price categories.
- Year-to-date, contract activity is **down 1.8%**.
- 28.6%** of all homes going under contract in July 2018 had at least one price reduction before going under contract. Last July it was 32.3%.

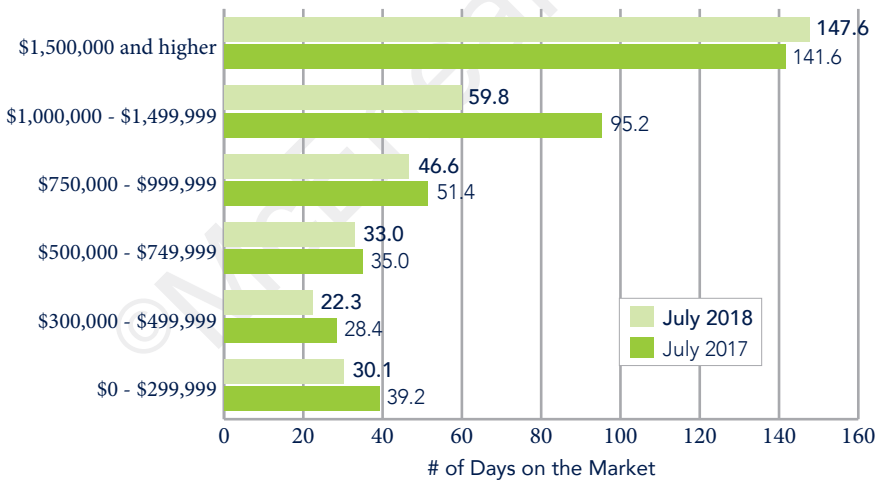
MONTHS' SUPPLY Northern Virginia



Months' Supply

- The overall supply of homes on the market at the end of July was **1.9 months**, which was a **decrease of 15.4%** compared to the end of July 2017, when supply stood at 2.3 months.
- Price category supply ranges from a low of 1.2 months for homes priced between \$300,000 and \$499,999 and a high of 11.2 months for homes priced \$1,500,000 and higher.

AVERAGE NUMBER OF DAYS ON THE MARKET Northern Virginia - New Contracts



Average Days on the Market

- The average number of days on the market for homes receiving contracts in July was down for homes priced less than \$1.5 million.
- Overall, the average number of days on the market for homes receiving contracts in July 2018 was 35, **down 14.6%** from 41 days in July 2017.

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