Market Watch

Northern Virginia
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RESILIENT

The best way to describe Northern Virginia's housing market is resilient. Webster's defines resilient as able to become strong, healthy, or successful again after something bad happens, and holy cow, we wouldn't have to look real far to find some bad things that have happened during the past few months.

Let's see – we had sequestration in the spring. The Federal Reserve has toyed all year with ending their quantitative easing policies that have kept interest rates low, frequently giving mixed signals to the market. More recently, we've seen the government shutdown, and tens of thousands of federal workers were laid off and didn't know when they'd be going back to work or when they'd be paid – and the businesses that depended on those workers suffered as well. We witnessed the continuing battles over whether or how to extend the debt ceiling, and even more recently, we've seen the distraction of the launch of the Health Care Exchange created by the Affordable Care Act.

Now to be sure, every single one of these items has impact nationally, but that impact is felt disproportionately in our region. So it wouldn't have been surprising if Northern Virginia's housing market took a bit of a breather.

But that hasn't really happened. While Northern Virginia has lagged a bit behind the markets on the other side of the Potomac, we're still holding up pretty well. Contract activity during the past two months is off slightly – down 2.3% – compared to the same two months last year. 18% more new listings have come on the market, demonstrating confidence by an increasing number of sellers. Not surprisingly, inventory is 18% higher now than it was at the end of last October. The average number of days a home is on the market before receiving a contract is down by 17%. The average sales price is up almost 10%, and the overall supply of homes is slightly more than 2 months. Taken as a whole, those are indications of a healthy market.

During the past two months:

Contract Activity	Down 2.3%
New Listings	Up 18%
Available Inventory	Up 18%
Days on Market	Down 17%
Average Sales Price	Up 9.6%
Total Supply	2.3 months

Now we're not trying to sugarcoat some challenges the market will face. We've just entered what is historically the slowest time of the year – November through January. Eventually the Fed is going to have to stop buying tens of billions of dollars of mortgage backed securities every month, and when that happens, interest rates will rise – and that will price some folks out of the market. Also, the budget and debt ceiling battles are far from over, and it isn't a stretch to think we'll see more bitter battles between Congress and the White House ahead. But the fundamentals are strong, and we remain convinced we're headed to a balanced, sustainable housing market in Northern Virginia.

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 $500,000-$749,999 in October 2013 was 31.7%. That compares to a rate of 35.5% in October 2012, and the decrease means the market was worse in 2013 for that type of home. If the absorption rate was less in 2013 than in 2012, we have put the more recent absorption rate in **red**. This month there was **improvement for just 6 of 18 price categories.**

Condo/Co-op	October 2012			October 2013		
Absorption Rates	Listings	Contracts	Rate	Listings	Contracts	Rate
$299,999 & under	340	306	47.4%	517	268	**34.1%**
$300,000 - $499,999	197	145	42.4%	294	153	**34.2%**
$500,000 - $749,999	60	30	33.3%	67	41	**38.0%**
$750,000 - $999,999	21	4	16.0%	28	5	**15.2%**
$1,000,000 - $1,499,999	11	7	38.9%	19	2	**9.5%**
$1,500,000 & higher	18	1	5.3%	14	2	**12.5%**
Grand Total:	**647**	**493**	**43.2%**	**939**	**471**	**33.4%**

ABSORPTION RATES – CONDOS AND CO-OPS

- The overall absorption rate for condos and co-ops for October 2013 was **33.4%**, a decrease from the 43.2% rate in October 2012.

Fee Simple Attached	October 2012			October 2013		
Absorption Rates	Listings	Contracts	Rate	Listings	Contracts	Rate
$299,999 & under	66	88	57.1%	72	56	**43.8%**
$300,000 - $499,999	278	260	48.3%	407	262	**39.2%**
$500,000 - $749,999	134	90	40.2%	148	93	**38.6%**
$750,000 - $999,999	44	21	32.3%	51	16	**23.9%**
$1,000,000 - $1,499,999	24	8	25.0%	29	3	**9.4%**
$1,500,000 & higher	14	2	12.5%	14	3	**17.6%**
Grand Total:	**560**	**469**	**45.6%**	**721**	**433**	**37.5%**

ABSORPTION RATES – ATTACHED HOMES

- The overall absorption rate for attached homes in October 2013 was **37.5%**, a decrease from the 45.6% rate in October 2012.

Fee Simple Detached	October 2012			October 2013		
Absorption Rates	Listings	Contracts	Rate	Listings	Contracts	Rate
$299,999 & under	13	19	59.4%	12	12	**50.0%**
$300,000 - $499,999	321	239	42.7%	291	199	**40.6%**
$500,000 - $749,999	539	297	35.5%	585	271	**31.7%**
$750,000 - $999,999	378	107	22.1%	411	121	**22.7%**
$1,000,000 - $1,499,999	336	46	12.0%	354	60	**14.5%**
$1,500,000 & higher	320	26	7.5%	370	33	**8.2%**
Grand Total:	**1907**	**734**	**27.8%**	**2023**	**696**	**25.6%**

ABSORPTION RATES – DETACHED HOMES

- October 2013's absorption rate for detached homes was **25.6%**, a decrease from the 27.8% rate in October 2012.
- There were just twelve homes priced less than $300K on the market at the end of the month.