

DON'T LOOK FOR THE BOTTOM OF THE MARKET – LOOK FOR BALANCE

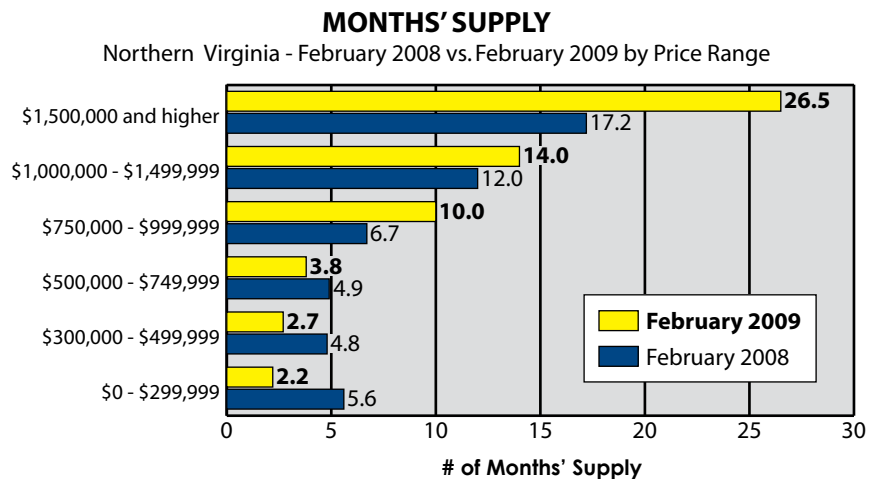
Seems as if everyone these days wants to know when the real estate market is going to “hit bottom.” After all, no one wants to buy while prices are still going down, right?

Here's a healthy dose of reality: **No one can predict the bottom**, and efforts to “time” the market are almost always futile. Anyone who says they know with a high degree of certainty when the market is going to turn around should be regarded with a high degree of skepticism. Because not only is “the bottom” impossible to predict, what really matters is when your personal circumstances are aligned with current market conditions in a way that makes sense for you to pull the trigger on a decision to buy or sell.

If you have just received a promotion at work, and another child is on the way, and you can lock in a 5% interest rate on your mortgage, this might be the perfect time to buy – even if you think prices may still come down a bit. The monthly payments on a \$400,000 mortgage at 5% over 30 years are \$2,147. If prices drop **another 10%** but rates go up to 6%, the monthly payments on a \$360,000 mortgage would be \$2,158. Remember that mortgage rates are near a historic low and are more likely to head up than down during the next year. Conversely, if you are absolutely convinced that home prices are headed up, but you've just lost your job – “the bottom” won't matter much to you, and neither will mortgage interest rates.

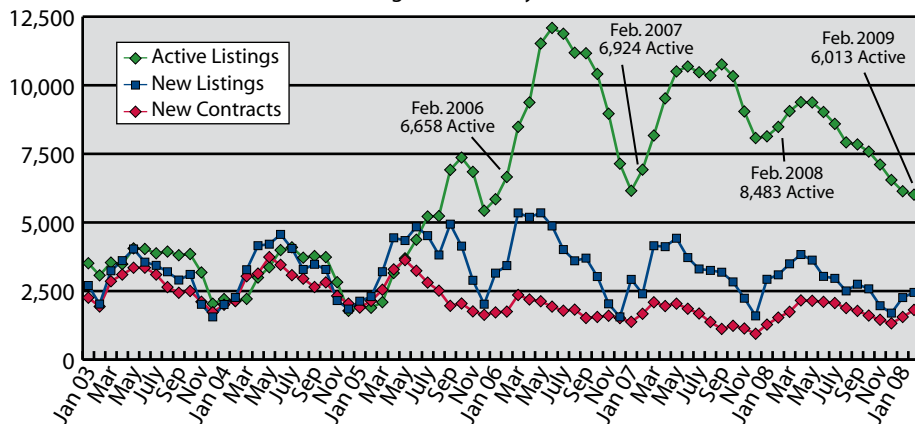
Are we suggesting that market conditions don't matter? Of course not; we're just saying that your personal situation matters more. And if you are looking for an easily measurable sign of market conditions, look at the supply. That is simply the number of active listings on the market in your price category and in the area in which you're interested. Once you have it, look for **balance**. A “balanced” market has long been described as one with about a four months' supply of inventory. The chart below indicates the relative supply of homes by price range in Northern Virginia; the market for homes priced under \$750,000 – surprisingly to many – is pretty well balanced. An example: at the end of February 2009, there was a 3.8-month supply of homes priced between \$500,000 and \$750,000. This time last year, there was almost a 5-month supply. (And for reference, the supply at the end of February 2006 was 3.3 months – and by any measure the market was still rocketing along.) We have seen the return of multiple offers on well-priced homes in the middle and lower price ranges – and not just on foreclosures and short sales. At the upper end of the market, however, the scales are still tilted decidedly toward the buyer's side. At the current pace of contract activity, there is a bit more than two year's supply of homes priced over \$1,500,000. That doesn't mean that buyers for homes of this caliber have disappeared; it simply means that there are fewer of them – and the ones that are in the market for a home will still buy when the home is correctly priced. If it isn't, those buyers will simply look elsewhere.

Each circumstance requires an awareness of overall market conditions **combined** with a thorough evaluation of the needs of our clients. If they are buyers, a careful evaluation of negotiating strategy and neighborhoods comps matter far more than the national housing trends detailed on the evening news. And for our sellers, an equally careful analysis of property condition, neighboring competition, level of risk tolerance and their ideal timeline for getting their home sold is far more important than anything they can read in the newspaper.



NUMBER OF NEW LISTINGS, NEW CONTRACTS & ACTIVE LISTINGS

Northern Virginia - January 2003-Current



ANOTHER INDICATION OF "BALANCE"

- When the market is out of balance, prices change rapidly.
- From 2003 until early 2006, listings were getting snapped up as fast as they came on the market – no balance, and prices skyrocketed.
- A pronounced gap between listing inventory and contract activity opened in mid-2006 – and prices started to drop. The bigger the gap, the greater the downward pressure on prices.
- That gap is now narrowing, heading toward a balanced market.

NEW CONTRACT ACTIVITY - BY PROPERTY TYPE AND PRICE RANGE

Northern Virginia

Condo/Co-op	New This Month			Year-To-Date		
	2008	2009	% Change	2008	2009	% Change
Contracts						
\$299,999 and under	218	356	63.3%	403	643	59.6%
\$300,000-\$499,999	148	103	-30.4%	275	190	-30.9%
\$500,000-\$749,999	26	15	-42.3%	48	29	-39.6%
\$750,000-\$999,999	3	2	-33.3%	9	4	-55.6%
\$1,000,000-\$1,499,999	1	3	200.0%	4	5	25.0%
\$1,500,000 and higher	0	0	-	3	0	-100.0%
Grand Total:	396	479	21.0%	742	871	17.4%

CONDO/CO-OP - CONTRACTS

- The number of condos and co-ops receiving ratified contracts **increased 21.0%** in February 2009 compared to February 2008.
- Year-to-date, the number of new contracts is **up 17.4%** compared to 2008.

Fee Simple Attached	New This Month			Year-To-Date		
	2008	2009	% Change	2008	2009	% Change
Contracts						
\$299,999 and under	118	288	144.1%	208	542	160.6%
\$300,000-\$499,999	270	197	-27.0%	494	367	-25.7%
\$500,000-\$749,999	64	51	-20.3%	123	89	-27.6%
\$750,000-\$999,999	12	7	-41.7%	25	17	-32.0%
\$1,000,000-\$1,499,999	1	3	200.0%	4	4	0.0%
\$1,500,000 and higher	3	1	-66.7%	4	1	-75.0%
Grand Total:	468	547	16.9%	858	1020	18.9%

ATTACHED HOMES - CONTRACTS

- Contract activity for attached homes **increased 16.9%** in February 2009 compared to February 2008.
- Year-to-date contract activity is **up 18.9%** compared to 2008.

Fee Simple Detached	New This Month			Year-To-Date		
	2008	2009	% Change	2008	2009	% Change
Contracts						
\$299,999 and under	19	190	900.0%	38	346	810.5%
\$300,000-\$499,999	259	271	4.6%	477	545	14.3%
\$500,000-\$749,999	247	227	-8.1%	438	387	-11.6%
\$750,000-\$999,999	82	55	-32.9%	151	110	-27.2%
\$1,000,000-\$1,499,999	40	29	-27.5%	70	53	-24.3%
\$1,500,000 and higher	23	16	-30.4%	38	38	0.0%
Grand Total:	670	788	17.6%	1212	1479	22.0%

DETACHED HOMES - CONTRACTS

- There was an **increase of 17.6%** in the number of contracts on detached homes in February 2009 compared to February 2008. Nonetheless, there is continuing weakness for homes priced over \$500,000.
- The number of contracts year-to-date is **up 22.0%**.



www.McEneaney.com

The BEST address for YOUR address

LEADING
REAL ESTATE
COMPANIES™
OF THE WORLD

