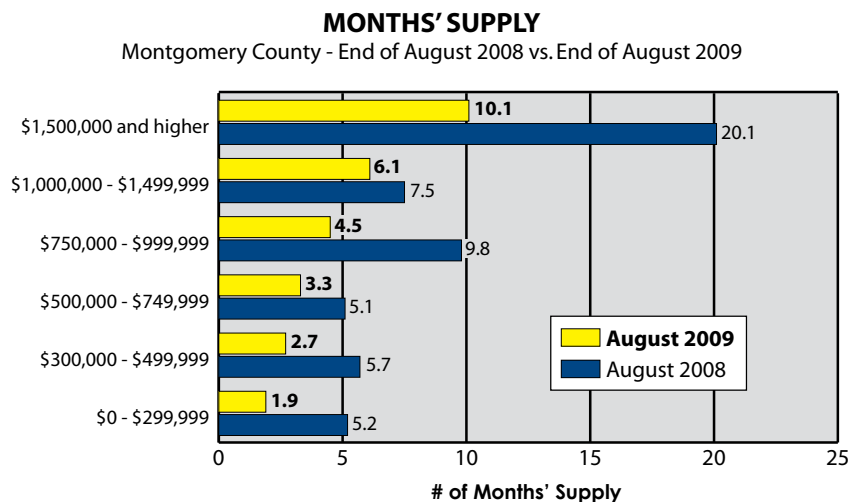


### SIGN, SIGN, EVERYWHERE A SIGN . . .

. . . blocking out the scenery, breaking my mind. Do this, don't do that. Can't you read the sign?" The Five Man Electrical Band's 70's hit "Signs" could apply to any effort to read the "signs" in Montgomery County's real estate market because there are so many conflicting indicators out there. As we have noted in this space on many occasions, market conditions vary widely depending on price and geography, and no one should feel confident saying that the "bottom" has been hit. Yet, there are now more positive "signs" than negative.

A September 2nd piece in the Wall Street Journal written by James B. Stewart opined that, "overall...I can't imagine a better time to buy than now." The generally downbeat Case-Shiller Home Price Index has turned positive for the DC Metro area for the last four consecutive months. The number of homes on the market in Montgomery County is considerably less than this time last year, and contract activity is considerably higher across most price ranges. The vitality at the lower end of the price spectrum has helped moved a lot of "troubled" inventory – foreclosures and short sales - off the market. That inventory had to be diminished for there to be any prospect of a broader recovery. To be sure, there are some negative signs as well. There is still downward pressure on home prices, particularly in the upper brackets. Since most transactions involve mortgage financing and appraisals, and those appraisals by definition look backwards in time for recent comparable sales, it is going to take some time for appraised prices to move upward. That contributes mightily to a slow-to-recover market. We remain concerned about the likelihood of rising mortgage interest rates in the long term. And looking a bit farther down the road, there is no way to accurately judge the impact of the next major wave of mortgage interest rate resets that will start in late 2010 and 2011. Overall though, we're more optimistic about the direction of the market than we've been at any time in the last three years.

Specifically, one of the signs we look at to tell us which direction the market is headed is "supply," which is simply a measure of the available inventory divided by contract activity in any given month. And as the chart to the right indicates, every price category looks a lot better than this time last year – and that is especially true for homes priced more than \$300,000. There's less than a 60-day supply of such homes on the market, and we're actually seeing multiple offers on some of these properties. And while it's true that there is plenty of supply of upper bracket homes, it is equally true that it's less than this time last year.



## NEW CONTRACT ACTIVITY - BY PROPERTY TYPE AND PRICE RANGE Montgomery County, MD

Condo/Co-op	New This Month			Year-To-Date		
	2008	2009	% Change	2008	2009	% Change
Contracts						
\$299,999 and under	135	199	47.4%	922	1253	35.9%
\$300,000-\$499,999	39	58	48.7%	368	355	-3.5%
\$500,000-\$749,999	10	4	-60.0%	80	51	-36.3%
\$750,000-\$999,999	1	0	-100.0%	15	11	-26.7%
\$1,000,000-\$1,499,999	1	1	0.0%	11	8	-27.3%
\$1,500,000 and higher	1	1	0.0%	8	3	-62.5%
<b>Grand Total:</b>	<b>187</b>	<b>263</b>	<b>40.6%</b>	<b>1404</b>	<b>1681</b>	<b>19.7%</b>

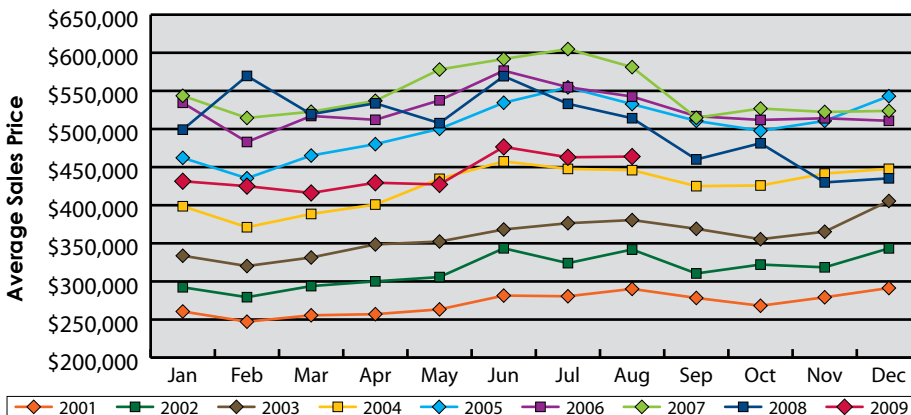
Fee Simple Attached	New This Month			Year-To-Date		
	2008	2009	% Change	2008	2009	% Change
Contracts						
\$299,999 and under	148	208	40.5%	807	1547	91.7%
\$300,000-\$499,999	86	71	-17.4%	763	598	-21.6%
\$500,000-\$749,999	21	19	-9.5%	205	200	-2.4%
\$750,000-\$999,999	2	3	50.0%	22	22	0.0%
\$1,000,000-\$1,499,999	1	3	200.0%	11	12	9.1%
\$1,500,000 and higher	0	1	-	1	1	0.0%
<b>Grand Total:</b>	<b>258</b>	<b>305</b>	<b>18.2%</b>	<b>1809</b>	<b>2380</b>	<b>31.6%</b>

Fee Simple Detached	New This Month			Year-To-Date		
	2008	2009	% Change	2008	2009	% Change
Contracts						
\$299,999 and under	61	158	159.0%	253	1192	371.1%
\$300,000-\$499,999	218	202	-7.3%	1451	1787	23.2%
\$500,000-\$749,999	138	127	-8.0%	1099	1117	1.6%
\$750,000-\$999,999	37	58	56.8%	491	484	-1.4%
\$1,000,000-\$1,499,999	31	28	-9.7%	306	260	-15.0%
\$1,500,000 and higher	13	22	69.2%	167	135	-19.2%
<b>Grand Total:</b>	<b>498</b>	<b>595</b>	<b>19.5%</b>	<b>3767</b>	<b>4975</b>	<b>32.1%</b>

- The tables to the left indicate contract activity for August 2009 compared to August 2008, as well as year-to-date contract activity for all three major property types.
- A **red** number indicates a negative market trend, and even a quick glance shows there's less **red** in the August numbers than for year-to-date. In general, that means that the market is improving relative to earlier in the year.
- In all three property types, there is significant strength at the lower end of the market, with huge increases in contracts for homes priced less than \$300,000.
- There are also signs of some market resurgence at the upper end of the market, with decent increases in contract activity for attached and detached homes priced more than \$750,000. This market category, where homes are typically financed with "jumbo" mortgages, has been stagnant for quite some time – it's nice to see a bit of life being breathed into the top end. An example, in August, there was a 33% increase in contracts for detached homes priced more than \$750,000 compared to August 2008.

### AVERAGE SALES PRICE

Homes in Montgomery County, MD – 2001-Current



### AVERAGE SALES PRICE

- The red line in the middle of the chart to the left tracks the average sales price so far in 2009, and they are tracking very closely to pricing levels seen in 2004.
- There's no reason to believe we're going to see prices fall below those levels, and it finally looks as though we're going to have some months ahead that track above pricing from 2008 – another positive sign.



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