

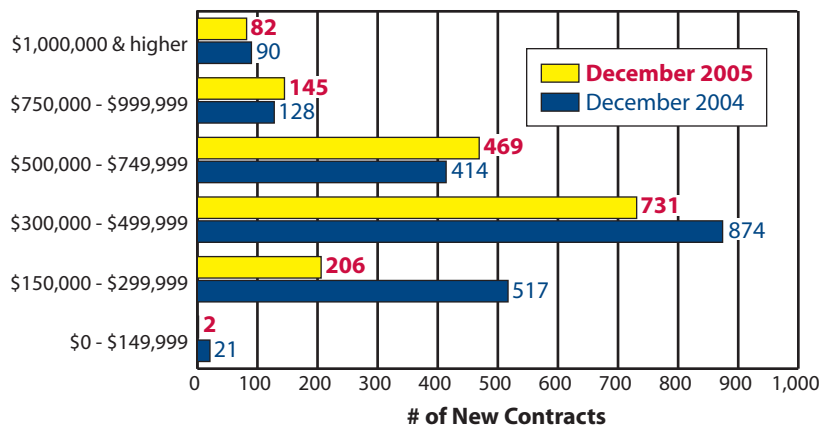
THE BIGGEST ISSUE IS THE MIX OF HOUSING

It would be easy to draw some accurate – but nonetheless misleading – conclusions about where the area’s residential market is heading simply by looking at the number of contracts ratified. And as the first chart below notes, the number of contracts ratified in December 2005 **dropped almost 18%** from the number ratified in December 2004. But that’s only part of the story, and it’s also why we break down activity by price range.

The number of contracts on homes priced **under \$500,000 dropped 34%**, while the number of contracts on homes priced **over \$500,000 increased 10%**. That suggests to us that the enormous price appreciation over the last several years has priced a number of would-be homebuyers out of the market, or has forced them to move much farther out to find affordable housing – and one only has to look as far as our congested roads and transit systems to know that is true. And there is no easy solution for the imbalance in the mix of available housing. Land costs close in are not going to come down, and neither are construction costs. The only real way to address this problem is to permit much more dense development around Metro stations and emerging town centers so people can live closer to where they work – or at least live closer to the means of getting them to work. What Arlington County has done over the last 20 years is one of the best examples in the country of how this really can be done. We’re not suggesting that housing in Arlington County is “affordable” across the board, but they have an enviable mix of housing types and lifestyles because they had the political and public will to make it happen.

NEW CONTRACT ACTIVITY

December 2004 vs. December 2005 by Price Range

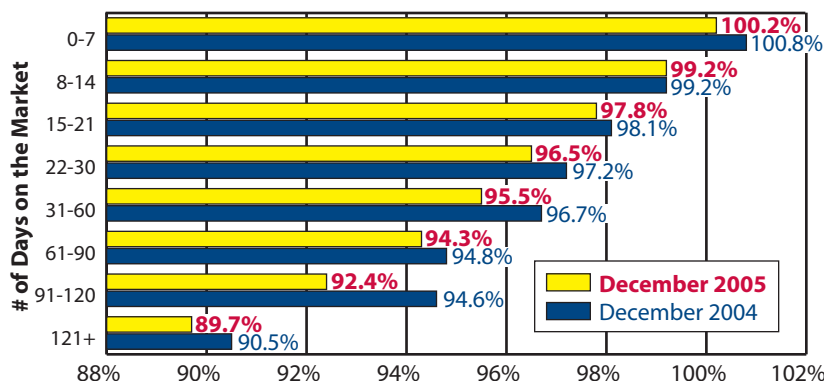


NEW CONTRACT ACTIVITY

- The number of new contracts ratified in December 2005 was **down 17.8%** from the number of contracts ratified in December 2004.
- As noted above, however, all of that drop in contracts occurred in homes priced under \$500,000. There was a **10% increase** in the number of contracts for homes priced over \$500,000.
- **31.8%** of all homes going under contract in December ‘05 had a price reduction before going under contract; it was only 15.4% last December.

RELATIONSHIP OF SALES PRICE TO ORIGINAL LIST PRICE vs. DAYS ON MARKET

December 2004 vs. December 2005 - Resale Properties Sold in Northern Virginia



RELATIONSHIP OF SALES PRICE TO ORIGINAL PRICE vs. DAYS ON MARKET

- In **none** of the “days on the market” categories homes sold closer to their original list price in December 2005 as compared to December 2004.
- One category – homes on the market 8-14 days – performed the same as last December.
- This certainly suggests that buyers have more leverage than in the recent past – and they’re using it!

The chart below gives a quick snapshot of how the residential real estate market in the entire Washington region performed in December 2005, compared to December 2004. Every jurisdiction has seen a slowing in market activity. In all five areas profiled below, the number of sales and contracts declined, days on market and inventory increased, and the overall supply of homes has certainly increased. Yet remarkably, the average sales price throughout the region continued to climb, with percentage increases ranging from the upper teens to the low twenties. Note: Percentages depicted in red indicate a negative trend.

Northern Virginia

| | December 2004 | December 2005 | % Change |
|--------------------------------|---------------|---------------|----------|
| Number of Sales | 2,814 | 2,179 | -22.6% |
| Fully Available Inventory | 1,224 | 4,935 | 303.2% |
| Number of New Listings | 1,841 | 2,021 | 9.8% |
| Number of New Contracts | 1,988 | 1,635 | -17.8% |
| Days on Market - New Contracts | 25 | 42 | 68.8% |
| Average Sales Price | \$475,707 | \$554,117 | 16.5% |
| Months' Supply | 0.6 | 3.0 | 390.2% |

Loudoun County

| | | | |
|--------------------------------|-----------|-----------|--------|
| Number of Sales | 884 | 725 | -18.0% |
| Fully Available Inventory | 808 | 2,231 | 187.3% |
| Number of New Listings | 664 | 819 | 23.3% |
| Number of New Contracts | 613 | 595 | -2.9% |
| Days on Market - New Contracts | 23 | 41 | 75.3% |
| Average Sales Price | \$489,010 | \$578,643 | 18.3% |
| Months' Supply | 1.3 | 3.9 | 195.9% |

Prince William County, City of Manassas, and City of Manassas Park

| | | | |
|--------------------------------|-----------|-----------|--------|
| Number of Sales | 1,134 | 987 | -13.0% |
| Fully Available Inventory | 749 | 2,567 | 242.7% |
| Number of New Listings | 845 | 1,065 | 26.0% |
| Number of New Contracts | 809 | 691 | -14.6% |
| Days on Market - New Contracts | 21 | 45 | 116.3% |
| Average Sales Price | \$368,738 | \$450,573 | 22.2% |
| Months' Supply | 0.9 | 3.7 | 301.2% |

Washington, DC

| | | | |
|--------------------------------|-----------|-----------|--------|
| Number of Sales | 828 | 807 | -2.5% |
| Fully Available Inventory | 869 | 1,764 | 103.0% |
| Number of New Listings | 540 | 689 | 27.6% |
| Number of New Contracts | 545 | 514 | -5.7% |
| Days on Market - New Contracts | 36 | 46 | 27.9% |
| Average Sales Price | \$487,608 | \$587,485 | 20.5% |
| Months' Supply | 1.6 | 3.4 | 115.2% |

Montgomery County, Maryland

| | | | |
|--------------------------------|-----------|-----------|--------|
| Number of Sales | 1,482 | 1,144 | -22.8% |
| Fully Available Inventory | 959 | 2,260 | 135.7% |
| Number of New Listings | 840 | 859 | 2.3% |
| Number of New Contracts | 979 | 769 | -21.5% |
| Days on Market - New Contracts | 37 | 49 | 32.6% |
| Average Sales Price | \$447,753 | \$543,488 | 21.4% |
| Months' Supply | 1.0 | 2.9 | 200.0% |



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