

CONTRACTS AND SETTLEMENTS DIP - BUT PRICES CONTINUE TO CLIMB

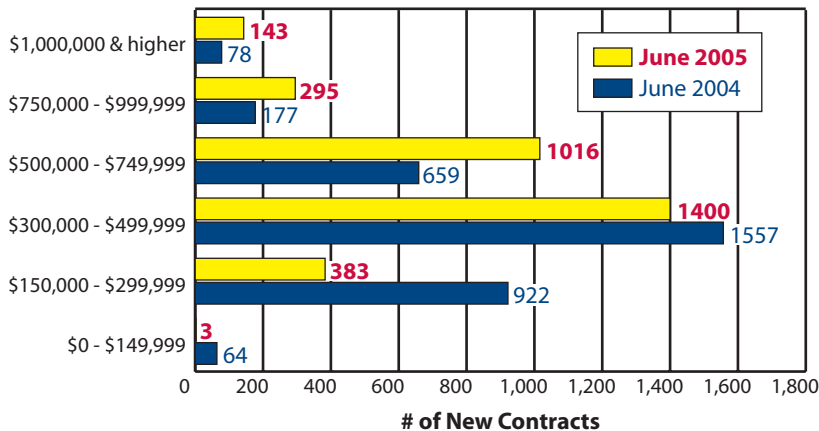
Despite a decline in the number of newly ratified contacts in three of the last four months, there continues to be significant upward pressure on prices.

The median sales price of all homes going to settlement in June 2005 was an astounding \$500,000 - the first time this milestone has been reached. The average sales price was an even higher \$557,500. These dizzying price increases occurred despite the fact that the number of newly ratified contracts has fallen almost 6.1% through the first six months of the year.

Yet there is actually some good news for prospective home purchasers in these numbers. As you will see in the charts on the next page, the **rate** of home price appreciation appears to be moderating just a bit. We have stated for some time that the 22-25% home price appreciation that we have witnessed for the last two years is not sustainable over an extended period of time, simply because that pace ultimately leads to huge numbers of purchasers getting priced out of the market. The most pronounced example can be found in the price trends in single family detached homes. Through the first six months of the year, prices have climbed 22.2% - but prices in June rose "only" 16.7%. We fully expect that prices across the board will be rising between 12% and 15% by the end of the year. That is still an extremely healthy rate for sellers, but it will keep home purchases in reach for more buyers. That's good for everyone.

NEW CONTRACT ACTIVITY

June 2004 vs. June 2005 by Price Range

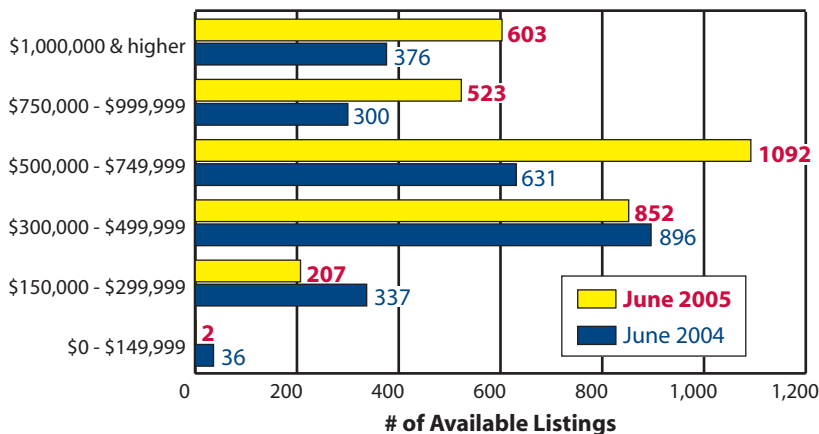


NEW CONTRACT ACTIVITY

- The number of newly ratified contracts has fallen in March, May and June compared to the same months last year.
- This has been the case all year, the entire drop in contract activity is in homes priced below \$500,000. We do not believe this signals anything more than the long-expected moderation in market activity. This remains a market tilted in favor of sellers.

FULLY AVAILABLE LISTINGS

June 2004 vs. June 2005 by Price Range



FULLY AVAILABLE LISTINGS

- Yet another sign of the modest softening in the market can be found in the fact that the total number of fully available homes on the market at the end of June 2005 was **27% greater** than the number of listings on the market on June 30, 2004.
- June 2005 ended with roughly 3,300 homes on the market. While that is a big increase, bear in mind that the typical monthly inventory throughout most of the 1990s was in excess of 12,000!

| CONDO/COOP | New in June | | | Year-to-Date | | |
|----------------------|-------------|------------|--------------|--------------|-------------|--------------|
| | 2004 | 2005 | % Change | 2004 | 2005 | % Change |
| Contracts | | | | | | |
| \$149,999 & under | 60 | 3 | -95.0% | 487 | 73 | -85.0% |
| \$150,000-\$299,999 | 648 | 369 | -43.1% | 3211 | 2304 | -28.2% |
| \$300,000-\$499,999 | 243 | 471 | 93.8% | 1106 | 2153 | 94.7% |
| \$500,000-\$749,999 | 23 | 51 | 121.7% | 96 | 233 | 142.7% |
| \$750,000-\$999,999 | 0 | 3 | - | 15 | 28 | 86.7% |
| \$1,000,000 & higher | 2 | 2 | 0.0% | 9 | 12 | 33.3% |
| Grand Total: | 976 | 899 | -7.9% | 4924 | 4803 | -2.5% |
| Average Sales Price | \$267,050 | \$341,722 | 28.0% | \$249,549 | \$316,188 | 26.7% |

CONDOS AND COOPS - CONTRACT ACTIVITY AND AVERAGE PRICES

- The overall drop in the number of contracts for condos and coops was **7.9%** compared to last June, but all of the decrease came in condos priced under \$300,000.
- Nonetheless, despite the drop in the number of contracts, prices continue to climb. Note that the average price for condo and coops year to date has jumped 26.7% - and it jumped 28% in June.

| Fee Simple Attached | New in June | | | Year-to-Date | | |
|----------------------|-------------|-------------|--------------|--------------|-------------|--------------|
| | 2004 | 2005 | % Change | 2004 | 2005 | % Change |
| Contracts | | | | | | |
| \$149,999 & under | 0 | 0 | — | 5 | 1 | -80.0% |
| \$150,000-\$299,999 | 251 | 17 | -93.2% | 1728 | 236 | -86.3% |
| \$300,000-\$499,999 | 744 | 739 | -0.7% | 3098 | 3502 | 13.0% |
| \$500,000-\$749,999 | 110 | 251 | 128.2% | 534 | 1186 | 122.1% |
| \$750,000-\$999,999 | 15 | 24 | 60.0% | 83 | 171 | 106.0% |
| \$1,000,000 & higher | 4 | 11 | 175.0% | 35 | 61 | 74.3% |
| Grand Total: | 1124 | 1042 | -7.3% | 5483 | 5157 | -5.9% |
| Average Sales Price | \$386,216 | \$474,015 | 22.7% | \$366,396 | \$461,033 | 25.8% |

ATTACHED HOMES - CONTRACT ACTIVITY AND AVERAGE PRICES

- The number of new contracts dropped over 7% in June 2005 compared to June 2004, and the year-to-date drop is almost 6%.
- Nonetheless, prices continue to climb. Through the first six months of 2005, the average sales price of a fee simple, attached home in Northern Virginia climbed 25.8% compared to the same period in 2004. However, prices didn't jump **quite** as much in June.

| Fee Simple Detached | New in June | | | Year-to-Date | | |
|----------------------|-------------|-------------|--------------|--------------|-------------|--------------|
| | 2004 | 2005 | % Change | 2004 | 2005 | % Change |
| Contracts | | | | | | |
| \$149,999 & under | 0 | 0 | — | 4 | 0 | -100.0% |
| \$150,000-\$299,999 | 8 | 0 | -100.0% | 134 | 5 | -96.3% |
| \$300,000-\$499,999 | 556 | 193 | -65.3% | 3301 | 1377 | -58.3% |
| \$500,000-\$749,999 | 539 | 715 | 32.7% | 2656 | 3438 | 29.4% |
| \$750,000-\$999,999 | 169 | 268 | 58.6% | 865 | 1249 | 44.4% |
| \$1,000,000 & higher | 70 | 130 | 85.7% | 460 | 713 | 55.0% |
| Grand Total: | 1342 | 1306 | -2.7% | 7420 | 6782 | -8.6% |
| Average Sales Price | \$617,505 | \$720,387 | 16.7% | \$584,231 | \$713,727 | 22.2% |

DETACHED HOMES - CONTRACT ACTIVITY AND AVERAGE PRICES

- There was a modest decrease in the number of newly ratified contracts for fee simple, detached homes in June 2005 compared to June 2004 – only 2.7%. This is a much smaller decline than we saw in condos and attached homes.
- Year-to-date, the average price of a detached home in Northern Virginia has climbed 22.2%. The average price in June climbed a still-healthy 16.7%, but it is another sign that the moderation in home price appreciation has begun.



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