

“REAL ESTATE HERE WILL NEVER DEPRECIATE” – James E. Clements

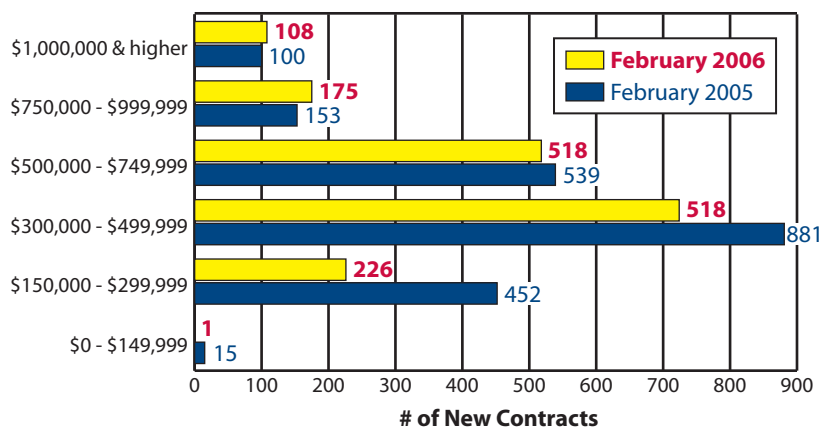
Mr. Clements was a Commonwealth’s Attorney for Alexandria and a real estate investor, and he had this to say about our area’s prospects back in ‘91: “There is no safer investment of money than in real estate, and there is no surer place to invest than near Washington... Real estate here will never depreciate, but will continue to enhance in value.” And by the way, that was back in 1891.

We have been accused of making some overly optimistic predictions in the past, and while we share Mr. Clements’ enthusiasm for the long-term prospects of our area, we would not go so far as to say that values can “never depreciate.” Twice in the 1990s, the average sale price of a home in Northern Virginia dropped from the previous year. As the home sales market in metro DC is leaving a time of remarkably low inventory and a veritable feeding frenzy among buyers that characterized much of the last three years and heading into a more balanced market with a significant increase in the number of homes on the market, it is important to remember that market adjustments create some bumps in the road. An example: in February 2006, the average price of all homes selling in Northern Virginia increased 15% from February 2005 - but the average price of a detached home actually dropped .5%. This doesn’t mean that prices are falling, but it does mean that buyers and sellers alike are adjusting to a new reality of a more balanced market with more modest price appreciation.

We’ll leave you with one other piece of information from Mr. Clements. With the power of the Internet, we found an ad that he ran in the *Washington Post* in 1910, offering “two splendidly located acres on trolley line” in Clarendon. The price: \$1,400.

NEW CONTRACT ACTIVITY

February 2005 vs. February 2006 by Price Range

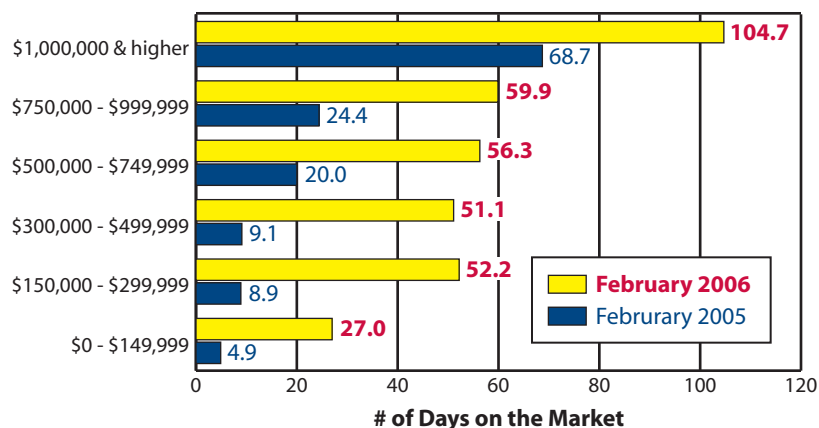


NEW CONTRACT ACTIVITY

- The market has clearly softened. There are roughly **five times as many homes on the market** today as there were this time last year, so buyers don’t feel the same urgency to act as they did last spring.
- The number of new contracts ratified in February 2006 was **down 18.1%** from the number of contracts ratified in February 2005.
- **28%** of all homes going under contract in February 2006 had a price reduction before going under contract; it was only 7% last February.

AVERAGE NUMBER OF DAYS ON THE MARKET

February 2005 vs. February 2006 by Price Range - New Contracts

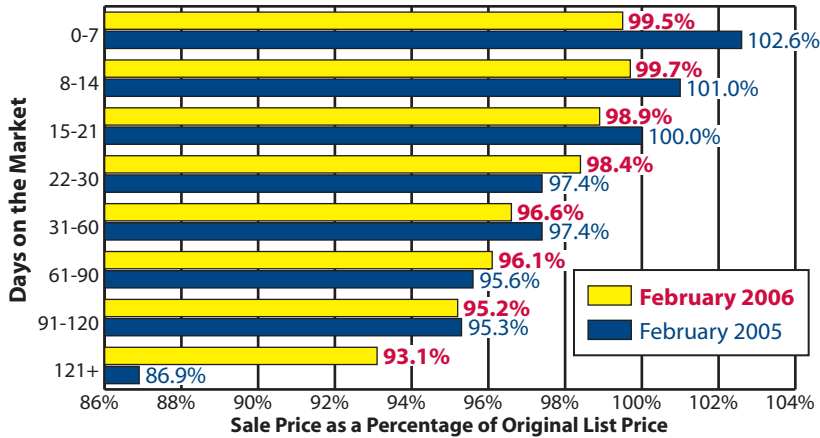


AVERAGE NUMBER OF DAYS ON MARKET – New Contracts

- The average number of days on the market for homes receiving contracts in February was up substantially in every price category.
- The average days on the market for all homes receiving contracts in February 2006 – including new construction – was **57 days**, up from just 16 days in February 2005.
- Remember that an average of 57 days is still quite low when viewed in any historical context.

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

February 2005 vs. February 2006 - Resale Properties Sold in Northern Virginia

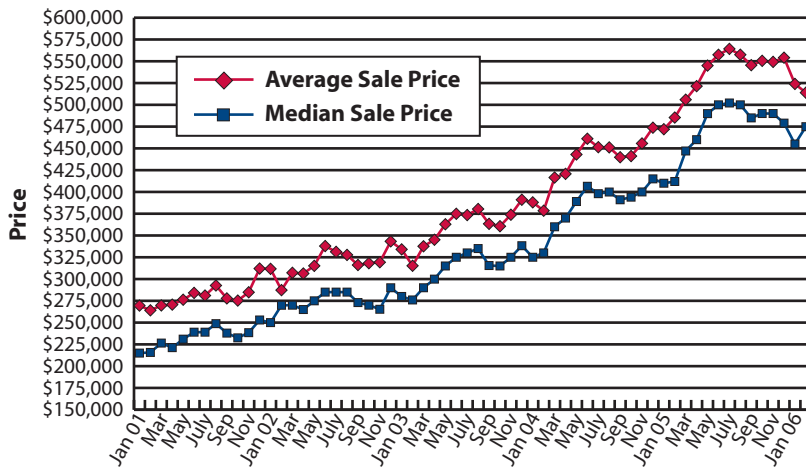


RELATIONSHIP OF SALES PRICE TO ORIGINAL LIST PRICE vs. DAYS ON THE MARKET

- Here's where we see the real impact of the significant increase in the number of homes on the market.
- Look at homes getting contracts in their first week on the market: last February they sold on average for 2.6% above list. This February, they sold at .5% under list.

AVERAGE AND MEDIAN PRICES

2001-Current - Northern Virginia

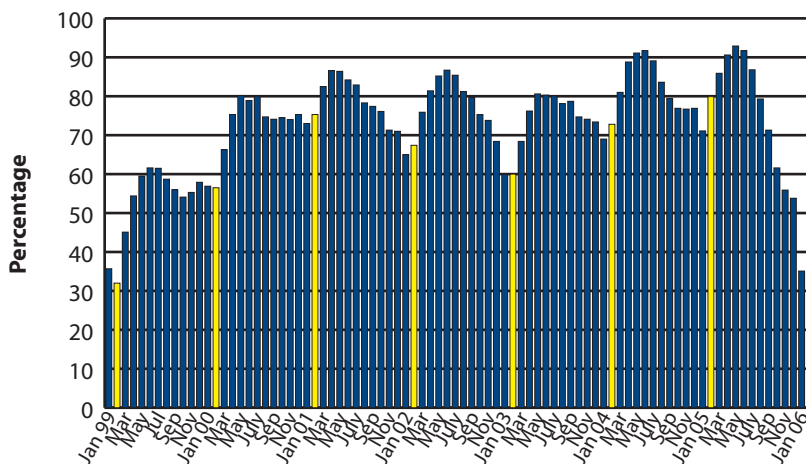


AVERAGE AND MEDIAN PRICES

- We have been predicting for many months that the incredible rate of home price appreciation would begin to ease up – and it has.
- The average sales price in February 2006 was \$513,969, up 5.4% from the February 2005 average price of \$487,566.
- In February 2006, Northern Virginia's median homes sales price was \$474,900, up 15.3% from the February 2005 median price of \$412,000.

PERCENTAGE OF LISTINGS SELLING IN FIRST 30 DAYS

January 1999-Current - Northern Virginia



PERCENTAGE OF LISTINGS SELLING IN FIRST 30 DAYS

- As one would also expect with the increase in inventory, sellers are dealing with a much more competitive market.
- 34.9% of homes settling in February received contracts in the first 30 days on the market, compared to 79.9% last February.
- That is the smallest percentage of homes selling in the first 30 days in any month since February 1999.



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