

### NORTHERN VIRGINIA'S HOUSING MARKET CONTINUES TO SOFTEN

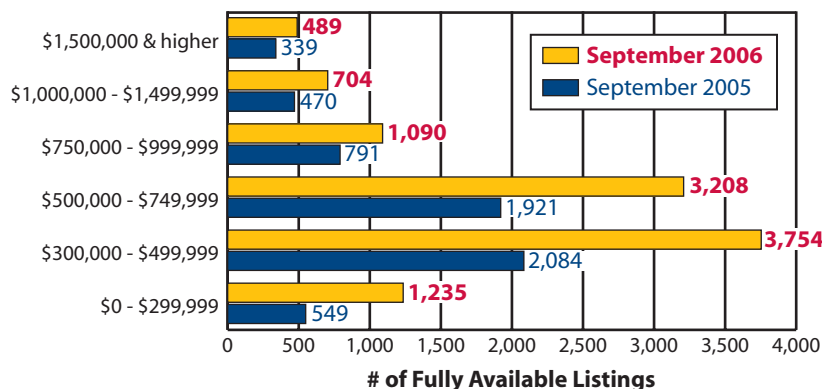
Most of the major statistical indicators of the health of Northern Virginia's market are trending down, but we still believe that there is a "soft landing" going on, not a crash.

Inventory of available homes is up; the number of contracts is down; it is taking longer for properties to sell and properties are selling at a deeper discount to list price than last year. As the accompanying charts indicate, half the properties that are on the market have had price reductions as sellers and their agents struggle to find the "sweet spot" that will interest buyers. And likewise, more than half of the properties going under contract in September 2006 had price reductions averaging 8% before finding the right buyer. As a consequence, the average sales price of a home in Northern Virginia has actually dropped about 6% – on average – from this same time last year.

Nonetheless, we remain confident that the market is experiencing a wholly expected and normal adjustment after several years of ultimately unsustainable price appreciation. Interest rates remain quite low and, as we have noted here many, many times before, the outlook for job growth remains very strong. And while homes are taking longer to sell – an average of 84 days in September – this market has seen much longer marketing times in the past. The average in 1997, for example, exceeded 120 days. Prices may slide a bit more, but we expect a healthy spring market. And the spring market around here typically starts in mid-to-late January. We won't see a return to the heady seller's market of early 2005, but 2007 should be a very solid year.

#### FULLY AVAILABLE LISTINGS

September 30, 2005 vs. September 30, 2006 by Price Range - Northern Virginia

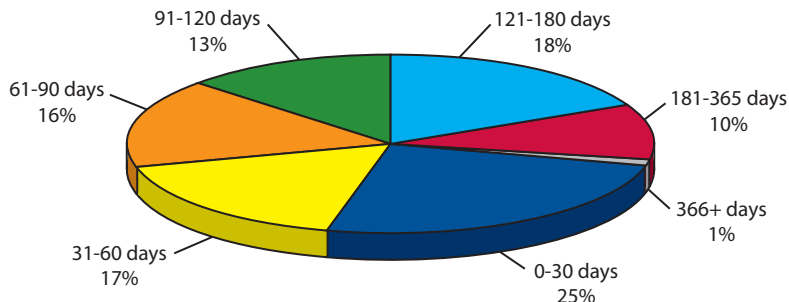


#### FULLY AVAILABLE LISTINGS

- Inventory has climbed substantially in every price category.
- Overall inventory increased 70%.
- 49% of all homes on the market have had at least one price reduction since coming on the market, and the average price reduction was 7.2%.

#### DAYS ON MARKET FOR AVAILABLE PROPERTIES

End of September 2006 - Northern Virginia



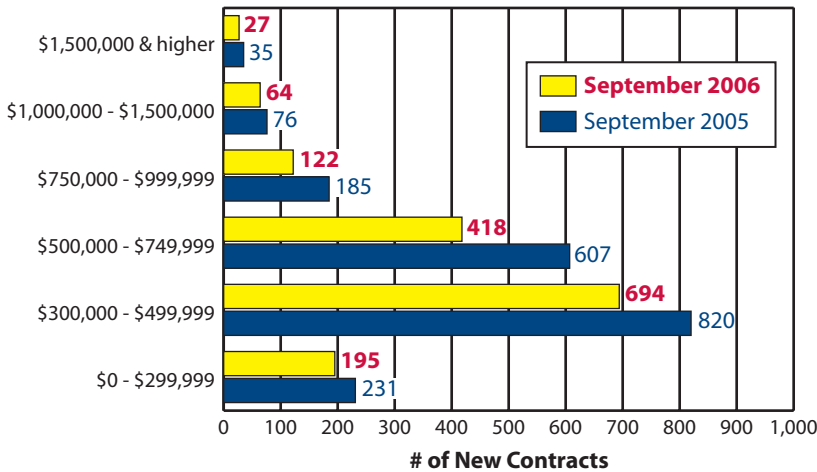
As of September 30, 2006, there were 11,167 fully available properties for sale in Northern Virginia.

#### DAYS ON MARKET FOR AVAILABLE LISTINGS

- 75% of all available homes have been on the market more than 30 days – no surprise given the shift in market conditions.
- 29% have been on the market more than four months.

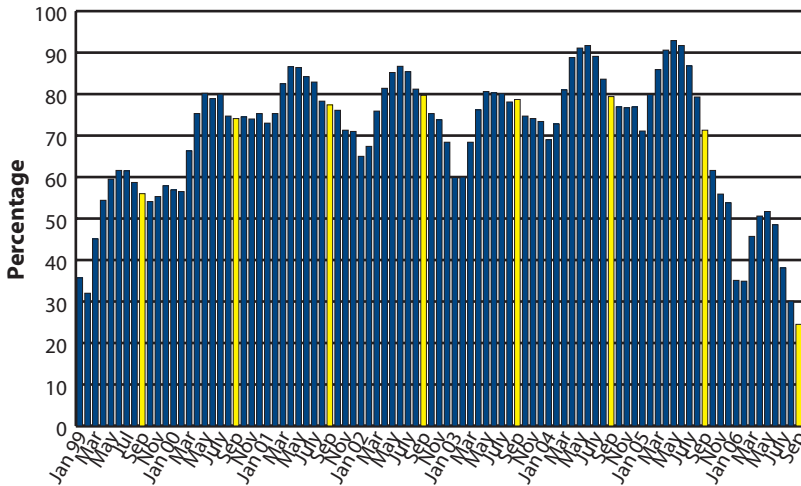
## NEW CONTRACT ACTIVITY

September 2005 vs. September 2006 by Price Range - Northern Virginia



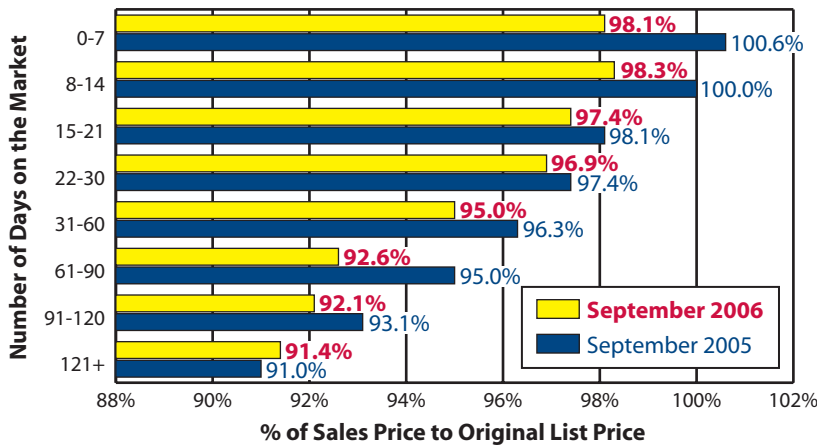
## PERCENTAGE OF LISTINGS SELLING IN FIRST 30 DAYS

January 1999 - Current - Northern Virginia



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

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



## NEW CONTRACT ACTIVITY

- The number of new contracts ratified in September 2006 was **down 22%** from the number of contracts ratified in September 2005.
- 54%** of all homes going under contract in September 2006 had a price reduction before going under contract. It was only **22%** in September 2005. The average price drop was **8%**.
- The total of **1,520** new contracts is the lowest number of September contracts since 1997.

## PERCENTAGE OF LISTINGS SELLING IN FIRST 30 DAYS

- Just **25%** of homes settling in September received contracts in the first 30 days on the market, compared to almost **71%** last September.
- That **25%** number is the lowest percentage we have seen in this category since February of 1998.

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

- With more homes from which to choose, buyers are not rushing out to pay in excess of list price as they did last year.
- Last September, homes receiving contracts their first week on the market sold at almost **1%** above list; in September 2006, homes selling in the first week sold on average for **2%** below list – a **2.5%** spread.



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