



Dan Melman and Mary Jane Molik
W.C. & A.N. Miller Realtors

M E L M A N
 &
 M O L I K

Washington DC Real Estate Sales Analysis for the Third Quarter of 2005

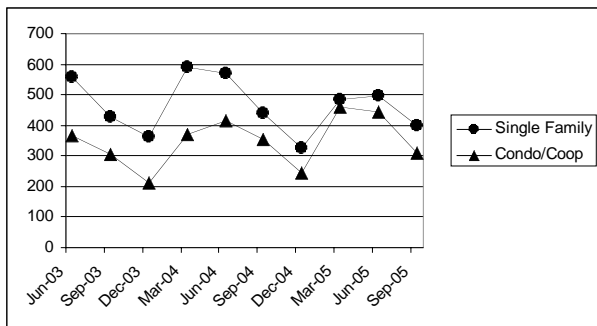
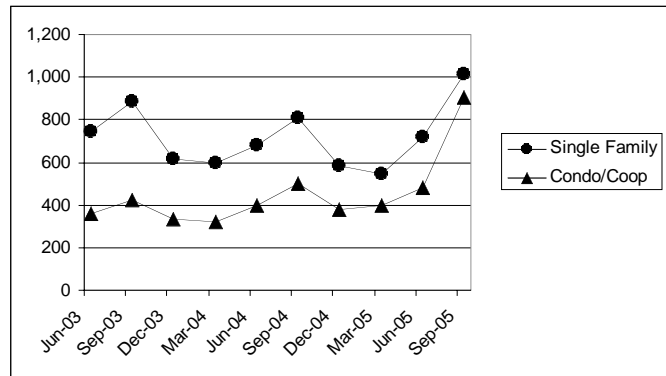
Fall is in the air with many people making holiday plans and many others still planning to be in a new home for the new year. While we might be giddy for the holidays, perhaps even bubbly – we are emphatically tired of talk about the ‘real estate bubble’. Short of a dramatic recession with huge changes in unemployment, we foresee a ‘soft landing’ with price appreciation returning to more sane levels as interest rates slowly rise – and this should be viewed as an acceptable and desired outcome for our hot local real estate market. Homes are a financial safe haven for purchasers as well as a place to live. As such, many nearly desperate purchasers are still searching for a first home, larger home, or investment property. Higher interest rates and higher prices nip at their purchasing power, but for a change, the supply of homes has improved. The District real estate market, which raced through spring and summer, should have a heady run through year-end and into the next year and only looks pale in comparison to the tremendous numbers posted in 2004.

Active Listings

Single Family Houses: The supply of homes has climbed to a higher point than any in the last two years.

Condos/Coops: Inventory is actually robust, a term we have not used in a long time.

Forecast: September usually has a spike in supply as many new homes hit the market after labor day typically at a rate faster than they can be absorbed. This spike was larger than expected. Many new construction condo projects were entered into the multiple list system, reflecting the more challenging sales climate for units priced above \$500k.



Contracts

Single Family Houses: Contracts are down slightly over each of the last four quarters – not a sign of an outright slowdown, but rather of momentum slowing from a record pace.

Condos/Coops: Condos were more bullish at the start of the year. The quarterly chart underplays that October and November are very strong sales months.

Forecast: We believe Hurricanes Katrina and Rita have played a part, particularly in this quarter’s numbers, as they have thrown a measure of uncertainty into fuel and heating costs and thus the overall economy.

Selling Washington’s HOTTEST Properties

W.C. & A.N.
MILLER
 REALTORS®



4434 Connecticut Avenue NW
 Washington, DC 20008
 www.MelmanMolik.com
 success@MelmanMolik.com
 202.895.8950



Exclusive Affiliate of
CHRISTIE'S
 GREAT ESTATES



Dan Melman and Mary Jane Molik

W.C. & A.N. Miller Realtors

M E L M A N
M O L I K

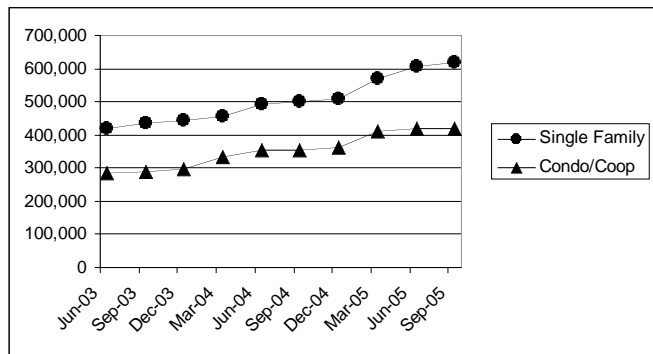
Page 2 - Additional Sales Analysis and Items to Watch

Prices

Single Family Houses: Average sales priced climbed sharply over the last 12 months and are now in excess of \$600,000.

Condos/Coops: Price changes seem rhythmic, with the first quarter of the year leading and the rest of the year sustaining the higher prices.

Forecast: We do not see prices dropping. While price appreciation may slow, the local market should sustain the previous growth without any correction.



Watch: Talk of a Bubble and Changes at the Fed

We will watch with anticipation who President Bush appoints to fill the role of Federal Reserve Board Chairman when Alan Greenspan retires in the coming months. Greenspan's comments about 'froth' in the housing markets have led many pundits to scream "bubble". The DC metro area added 110,000 jobs over the last two years, but only half as many new homes. Our market is more likely heading for a 'classic soft landing' according to David Lereah, chief economist for the National Association of Realtors. His faith in 'boomer demand' will only be derailed by significant increases in mortgage rates or a deep recession coupled with a large drop in jobs – which would weaken demand, increase inventory and weaken prices. Purchasers face challenging times, but this is still a good time to be thinking of real estate in your investment portfolio.

Watch: Rising interest rates and gas prices

The Federal Reserve Board continues to raise short-term interest rates in slow, steady and predictable increments. They did not pause for Hurricane Katrina and Hurricane Rita – which will certainly strain the economy through higher fuel prices being padded into consumer goods. Higher gas prices are now a fact of life. This may actually be good for the DC real estate market as the hope for shorter commutes means less gas consumption and better quality of life.

Watch: City Governance

With current Mayor Anthony Williams now a lame-duck, many development enterprises – particularly Anacostia Waterfront and even the baseball stadium, may slow or even stop as key players also jump ship or wait to see which way the government will go. With this an election year, politics may trump good sense in the planning area – we hope not.

Where the Washington Post gets it wrong

The Washington metro area is an enormous geographic expanse, and lumping the DC market in with the suburbs and exurbs is a fallacy often adopted by the leading local paper. DC has remained stronger across the board than even the close in suburbs. Arlington, Ashburn and AU Park are very different. Further, while many new condo units are being brought online across the area, rental-to-condo conversions do not add to the housing supply, and the supply remains tight

Buying or Selling? Winning Strategies in Real Estate

Real estate still makes a great long-term investment. As we do not see any price drops in sight, locking in the lower interest rates and current pricing makes for a sound strategy. We welcome the opportunity to speak with you about your real estate needs.

Dan Melman and Mary Jane Molik

(c) 2005. Melman and Molik. All rights reserved. This article may not be reprinted, transmitted or distributed without the express written consent of the author. Violation of this copyright will be strictly prosecuted. This document is available on our website for use with attribution.