February 2006

2005 Upper Bracket Market Conditions

Cool winter weather, rising interest rates, and real estate market uncertainty have begun to curb demand as home prices climb!

Washington, DC Price range	Active listings (Dec 31, 2005)	Sold (6 months ended Dec 31, 2005)	Average Monthly sales	Months of inventory
\$1.0M – \$1.5M	61	187	31.17	1.96
\$1.5M – \$2.0M	36	70	11.67	3.08
\$2.0M – \$3.0M	17	43	7.17	2.37
\$3.0M – \$5.0M	15	25	4.17	3.60
\$5.0M+	15	5	0.83	18.07

Montgomery Cty Price range	Active listings (Dec 31, 2005)	Sold (6 months ended Dec 31, 2005)	Average Monthly sales	Months of inventory
\$1.0M – \$1.5M	140	386	64.33	2.18
\$1.5M – \$2.0M	58	107	17.83	3.25
\$2.0M – \$3.0M	60	45	7.50	8.00
\$3.0M – \$5.0M	25	12	2.00	12.50
\$5.0M+	5	2	0.33	15.15

Northern Virginia Price range	Active listings (Dec 31, 2005)	Sold (6 months ended Dec 31, 2005)	Average Monthly sales	Months of inventory
\$1.0M – \$1.5M	297	633	105.50	2.82
\$1.5M – \$2.0M	104	144	24.00	4.33
\$2.0M – \$3.0M	77	63	10.50	7.33
\$3.0M – \$5.0M	48	19	3.17	15.14
\$5.0M+	20	3	0.50	40.00

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Upper Bracket Market Conditions

Revised February 2006

- Upper bracket properties are generally defined as those homes that would sell at the top 1% of the market.
- Washington, DC had over 9,000 total settled homes in 2005. Montgomery County has over 16,800 total settled homes during the same period. Northern Virginia topped out at 29,200 total sales. Source: GCAAR and NVAR statistics
- While traditionally thought of as homes priced in excess of $1 million, the rapid appreciation of homes in this area certainly necessitates revisiting this threshold. Across the metro region, the sales figures above support a threshold of $2 million for true upper bracket sales, with the District actually trending higher. The $1 million and above market segment still represents the top 5-8% of sales in each locality and denotes a significant change in inventory levels. On a case by case basis, as these are unique properties, the higher number of available homes begins to affect the negotiating strength between buyers and sellers.
- In the District, homes priced from $1.0 million to $1.5 million are still selling at a rapid pace, generally in line with those homes priced below $1.0 million. Even homes up to $3.0 million tend to move within a three month window. The true trophy homes, those priced above $3.0 million tend to take longer to attract an acceptable offer, but the inventory can be best measured in months rather than years. In this range, the District has more sales than Montgomery County even Northern Virginia which has twice the supply of such homes. Increasing numbers of homes have come onto the market at prices above $2.0 million – although the greater selection does not yet equate to an overall change in the market.
- In Montgomery County, the supply of homes priced below $1.0 million turns within a two month window. Like the District, between $1.0 million to $2.0 million, the supply of homes climbs steadily, and it certainly shoots up from points north of $3.0 million.
- Northern Virginia closely follows the Montgomery County model, albeit with higher numbers of available properties and associated sales. Most of the homes priced $5.0 million and above have been built in the last ten years, and several were done recently as spec homes. Whether the market exists for so many such properties remains to be seen.
- Interest rates are not a factor in the sale of homes at the top of the market, particularly those in excess of $2.0 million, where substantial down payments are often full payments.
- Close-in Montgomery County may see a spike in prices as tighter zoning and other regulations stymies an active tear-down environment. These changes will enhance the value of existing larger homes should there not be an alternative.

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FLASH BACK – 3rd Quarter
Upper Bracket Market Conditions

The white-hot real estate market generally seen in the area quickly cools as home prices climb!

Washington, DC Price range	Active listings (Sept 30, 2005)	Sold (6 months ended Sept 30, 2005)	Average Monthly sales	Months of inventory
$1.0M – $1.5M	90	213	35.50	2.54
$1.5M – $2.0M	64	83	13.83	4.63
$2.0M – $3.0M	44	45	7.50	5.87
$3.0M – $5.0M	29	19	3.17	9.15
$5.0M+	12	5	0.83	14.46

Montgomery Cty Price range	Active listings (Sept 30, 2005)	Sold (6 months ended Sept 30, 2005)	Average Monthly sales	Months of inventory
$1.0M – $1.5M	192	430	71.67	2.68
$1.5M – $2.0M	103	116	19.33	5.33
$2.0M – $3.0M	61	60	10.00	6.10
$3.0M – $5.0M	35	11	1.83	19.13
$5.0M+	8	2	0.33	24.24

Northern Virginia Price range	Active listings (Sept 30, 2005)	Sold (6 months ended Sept 30, 2005)	Average Monthly sales	Months of inventory
$1.0M – $1.5M	461	638	106.33	4.34
$1.5M – $2.0M	150	158	26.33	5.70
$2.0M – $3.0M	99	56	9.33	10.61
$3.0M – $5.0M	60	24	4.00	15.00
$5.0M+	20	5	0.83	24.10

Included for reference – note how number of active listings dropped from 3rd Quarter to 4th Quarter – and also that many listings returned after the new year.