



Dan Melman and Mary Jane Molik

W.C. & A.N. Miller Realtors

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July 2006

2006 Midyear Upper Bracket Market Conditions

Demand for homes at the top of the market has cooled – likely due to the economic uncertainty of rising oil prices and interest rates, rather than said costs themselves. Combined this with more homes available for sale – the backlog is really significant and denotes a sharp change in market power to the purchasers.

Washington, DC	Active listings (June 30, 2006)	Sold (6 months ended June 30, 2006)	Average Monthly sales	Months of inventory
Price range				
\$1.0M – \$1.5M	115	171	28.50	4.04
\$1.5M – \$2.0M	67	71	11.83	5.66
\$2.0M – \$3.0M	40	36	6.00	6.67
\$3.0M – \$5.0M	29	15	2.50	11.60
\$5.0M+	16	5	0.83	19.20

Montgomery Cty	Active listings (June 30, 2006)	Sold (6 months ended June 30, 2006)	Average Monthly sales	Months of inventory
Price range				
\$1.0M – \$1.5M	301	259	43.17	6.97
\$1.5M – \$2.0M	127	96	16.00	7.94
\$2.0M – \$3.0M	119	55	9.17	12.98
\$3.0M – \$5.0M	39	12	2.00	19.50
\$5.0M+	7	2	0.33	21.00

Northern Virginia	Active listings (June 30, 2006)	Sold (6 months ended June 30, 2006)	Average Monthly sales	Months of inventory
Price range				
\$1.0M – \$1.5M	670	415	69.17	9.69
\$1.5M – \$2.0M	246	91	15.17	16.22
\$2.0M – \$3.0M	134	55	9.17	14.62
\$3.0M – \$5.0M	66	12	2.00	33.00
\$5.0M+	30	4	0.67	45.00

W.C. & A.N.
MILLER
REALTORS®



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



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Upper Bracket Market Conditions

Revised July 2006

- Washington, DC had nearly 3,800 total settled homes in the first half of 2006 – this is down 14% from the prior year. Montgomery County has over 6,600 total settled homes during the same period – a drop of 17%. While Northern Virginia topped out at 10,600 total sales, this is a steep 28% decrease from the previous year. Source: GCAAR and NVAR statistics
- Upper bracket properties are generally defined as those homes that would sell at the top 1% of the market. While traditionally thought of as homes priced in excess of \$1 million, the sales figures above support a necessary revision for true upper bracket sales, with the District running closer to \$2.4 million, Montgomery County at just over \$2.0 million and Northern Virginia lagging behind at \$1.7 million. Homes priced \$1 million and above still represents the top 5-8% of sales in each locality, where a significant change in inventory levels clearly illustrate that negotiating strength has shifted from sellers back to the potential purchasers.
- Competition has increased immensely. The number of competing homes on the market is up across the board, and in general, sales are slower. This has created an enormous backlog of properties, quickly moving from nearly a half year up to almost 4 years of homes available in the top price points of Northern Virginia. While this has made for an active spring, with plenty of showing options, location is still the mantra that matters. In each of the price points from \$1 million to \$5 million, homes that actually went to settlement in the District moved more quickly than the surrounding jurisdictions, with an offer typically being accepted within two months. In fact, the average time on the market was less in the District for each of these categories than even the \$1 million homes in Montgomery County and Northern Virginia.
- Negotiation is not a lost art form. Across the region, as price point's climb, fewer homes are selling at or above the final list price. Upper bracket sellers could be in for a long slog through the summer as more than two-thirds of recent home sales were for below final list price, combined with 19% of these homes being re-listed at least once and 27% having at least one price drop during their current listing period.
- Interest rates are often not a factor in the sale of homes at the top of the market, particularly those in excess of \$3.0 million, where substantial down payments are often full payments. However, as rising interest rates affect the overall economy, it affects the stock options and share values that often make up the prospective purchaser's portfolio.
- The District has an important primary season this fall, where the candidates stand on different sides of business development interests which could in turn affect quality of life issues and the regional business environment. Any backstep in the continued redevelopment of the District, coupled with the recent crime wave, could spur buyers out to the suburbs. 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.

Dan Melman & Mary Jane Molik
WC&AN Miller Realtors
202.895.8950

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FLASH BACK – 4th Quarter 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	Active listings (Dec 31, 2005)	Sold (6 months ended Dec 31, 2005)	Average Monthly sales	Months of inventory
Price range				
\$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	Active listings (Dec 31, 2005)	Sold (6 months ended Dec 31, 2005)	Average Monthly sales	Months of inventory
Price range				
\$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	Active listings (Dec 31, 2005)	Sold (6 months ended Dec 31, 2005)	Average Monthly sales	Months of inventory
Price range				
\$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

Included for reference – note how between year end and 2006 1st half that active listings have climbed sharply while numbers sold were mostly down or flat.